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NEWS SUMMARY

GENERAL

Another kidnap shakes Spain

Two of Spain's top military leaders sent telegrams to King Juan Carlos demanding that stern measures be taken after the kidnapping yesterday of the president of the Supreme Court of Military Justice in the centre of Madrid. A 20-year-old girl student was killed during fierce clashes between police and demonstrators.

Last night a law office used by the Communist-led Workers' Commission was sprayed by gunfire and one person was killed and several injured.

Police sources said there were reasons to link the kidnapping of Lieutenant-General Emilio Villaescusa, noted for his loyalty to the late General Franco, with that of Sr Antonio Oriol, President of the Council of State, who was taken from his office on December 11 and is still being held.

An eye-witness to the kidnapping said one of the assailants was a member of Grapo, the extremist faction which claims to be holding Sr Oriol. The girl was the second demonstrator to have been killed within two days. Back Page

Trial judge 'on death list'

Mr. Justice Cantley, the Balcombe Street siege trial judge, was told at the Old Bailey that his name was among those of 35 judges appearing on an IRA death list. A four-man active service unit of the Provisional IRA was charged with a series of murders, bombings and shootings in what was described by the Crown as an orgy of violence. The accused refused to plead to the 25 charges.

Rhine Army new deal planned

Britain and West Germany are in press ahead with negotiations for a new offset agreement to help compensate the U.K. for the foreign exchange costs of the Rhine Army. The new agreement will almost certainly be the last of its kind. Back Page

Second life term

Mr. John George Robinson, 47, of Dickinson Street, Wakefield, was jailed for life at Leeds Crown Court for the murder of a 12-year-old Huddersfield woman. The judge recommended that he should not be released before the end of his days. In 1962 Mr. Robinson was given a life sentence for the murder of a nine-year-old boy.

Pensions writ

Three pensioners have issued a High Court writ against Mr. David Ennals, Social Services Secretary, alleging that the Government failed to increase pensions to keep pace with inflation by deliberately excluding the period from March to November, 1975.

Colleges to shut

Mrs. Shirley Williams, Education Secretary, told the Commons that between 25 and 30 teacher training colleges would have to close because of the fall in the birthrate. Page 10

Theatre post

Mr. Stuart Burge takes over as artistic director of the Royal Court Theatre on February 1. Page 3

Briefly . . .

Cradley Heath, W. Midlands: Fifty women taken to hospital after a poison fume scare at the factory vacuum-cleaner assembly plant may have been victims of mass hysteria.

Mister Know All, at 7—4, was Dominic Wigan's third successive winning nap, extending his winter profit on a daily £1 stake to £16.77½. Racing, Page 2

Sir Andrew Humphrey, Chief of the Defence Staff and Marshall of the Royal Air Force, has died, aged 56. Obituary, Page 8

BUSINESS

Equities 6.9 down; sterling gains

● EQUITY leaders were marked down at the opening after Press comment on the build-up of speculative positions and the relatively low level of institutional liquidity. FT 30-Share Index closed 6.9 down at 377.8.

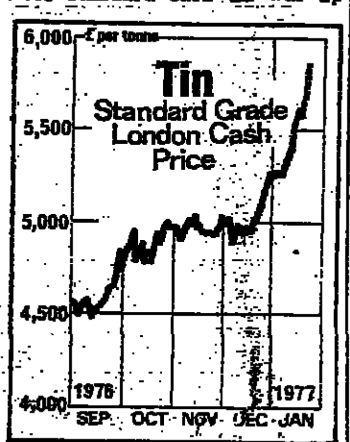
● STERLING closed at $1.7185, a gain of 20½ points from Friday. Its trade-weighted depreciation narrowed to 42.6 (42.9) per cent.; dollar's narrowed to 1.16 (1.20) per cent.

● GILTS opened lower: early falls to ½ in longs were reduced to ¼; mediums were unchanged at the close; shorts came in for renewed demand and earlier losses to ⅛ were turned into small net gains. Government Securities Index gave up 0.12 to 64.42.

● GOLD gained $½ to $132.62.

● WALL STREET closed at 963.60, up 1.17.

● TIN hit record highs. At the close standard cash tin was up £95 on balance at £5,667.5 a tonne. FT Commodities Index reached an all-time peak of 261.70 (255.71 on Friday). Page 35



● BRITISH engineers are to help Iran supervise construction of its nuclear power industry under the terms of a five-year contract expected to be worth £7.5m. Page 6

● CLAIMS totalling millions of pounds may be lodged against C. A. Parsons, turbine makers, by the Central Electricity Generating Board over the failure of two of the three 660 MW turbo-generators at Drax power station, Yorks. Page 8

● POSTAL service has been granted £9.2m. by the Government as compensation for losses in 1975-76 caused by enforced price restraint. Page 8

● INTERNATIONAL trade is not a love match—it is a war, Mr. Edmund Dell, Trade Secretary, told the Institute of Exports. Page 6

Shipbuilding: more to quit

● GOVERNMENT'S trouble-prone shipbuilding policy suffered more damage when the three remaining full-time members of the organising committee of British Shipbuilders confirmed that they would not stay on. Back Page

● MORE changes in the Board and management structure of the National Freight Corporation were being planned—exactly a year after a major internal shake-up. Page 8

● WESTERN AIRLINES, a major U.S. domestic operator, may buy the European A300 Airbus. Page 6

● JAPAN'S trade surplus almost doubled last year to an all-time record of $9.92bn. Finance Ministry said. Page 6

COMPANIES

● ALEXANDERS Discount Company profit in 1976 dropped from £0.95m. to £0.26m.; profit carried forward will be £0.61m. (£0.98m.). Page 23

● VOLVO pre-tax profit for 1976 was £80m. (£73m.). Page 25

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated.)

RISES:		
Treasury 9pc 1980	£92⅞	+ ⅜
A.C.E. Machinery	80	+ 8
Bambergers	35½	+ 3½
Clark (M.)	72	+ 5
Haggas (J.)	325	+ 15
Racal Elect.	268	+ 16
Ransom (W.)	105	+ 9
Ward Holdings	26	+ 5
White Child & Beney	64½	+ 13½
Assam Dooars	155	+ 10
B. H. South	94	+ 4
Hamersley	245	+ 5
Musto Expln.	32	+ 5
FALLS:		
Assoc. Newspapers	130	— 5
Barclays Bank	267	— 11
Costain (R.)	140	— 7
Distillers	127	— 4
EMI	266	— 6
Great Portland Ests.	218	— 6
GKN	284	— 8
Harrison & Crosfield	387	— 13
Hickson & Welch	355	— 15
Int. Computers	168	— 7
Lloyds Bank	217	— 11
NatWest	227	— 11
Rank Org.	170	— 8
Ransomes Sims	100	— 8
Spear & Jackson	117	— 5
Taylor Woodrow	260	— 6
Thomson Org.	368	— 12
Tube Invs.	324	— 10
Unilever	434	— 10
Vickers	154	— 6
LASMO/SCOT "Ops"	285	— 8
Shell Transport	476	— 8
Charter Cons.	138	— 7
Cons. Murchison	485	— 15
Durban Deep	250	— 15
Rand Selection	380	— 10

'Little virtue' in re-convening Geneva talks—Richard

Smith rejects U.K. plan for Rhodesia settlement

BY BRIDGET BLOOM, Salisbury, January 24

The five-month-old Anglo-American initiative to achieve a peaceful settlement in Rhodesia appeared to have collapsed to-night following the refusal of Mr. Ian Smith, the Rhodesian Prime Minister, to consider new British proposals for an interim Government in Rhodesia as a basis for the resumption of negotiations at Geneva.

Mr. Smith rejected the proposals this morning at a 45-minute meeting with Mr. Ivor Richard, the British chairman of the Geneva conference. Mr. Richard described Mr. Smith's decision as "tragic and fateful."

Mr. Smith, in a nationwide broadcast to-night confirmed his rejection of the proposals which would have involved a British resident commissioner in a balancing role between Rhodesian whites and African nationalists in an interim government leading to full independence.

He repeated that the only proposals he was prepared to accept were those agreed with Dr. Henry Kissinger, the former U.S. Secretary of State, last September.

Mr Smith said that there "can be absolutely no shadow of doubt" that if the British proposals were implemented they would lead to the rule of a "Marxist indoctrinated minority."

In a television interview, Mr. Smith said that if the British plan for Rhodesia were put into effect it would lead "to a stampede of whites trying to leave Rhodesia." There would be "chaos." Only the implementation of the Kissinger plan, which would leave control of security in white hands, could prevent this, Mr. Smith said.

Mr. Smith declared that he had "not broken off negotiations" and said he was still prepared to negotiate within the basic framework of the Kissinger plan with flexibility. But observers here believe that his rejection of the British proposals signals the end of the settlement initiative began last summer by Dr. Kissinger and carried on, at the Geneva conference and most recently in Africa, by Mr. Richard.

Editorial Comment Page 20
Reaction and pictures Page 6

Before he left for Johannesburg, Mr. Richard said that he saw "little virtue" in reconvening the Geneva conference. He is expected to report to the Foreign Secretary, Mr. Anthony Crosland, within the next few days. This is likely to be followed by talks with all the other parties, including the frontline African states, the U.S. and South Africa.

Mr. Richard said the British proposals — which had been accepted as a basis for discussion by all the other parties to the Geneva talks as well as by the U.S., the European Governments, and South Africa — could have led to a peaceful settlement which would have assured the future of both black and white Rhodesians.

But Mr. Smith's condemnation of them was categorical, appearing to leave no room for manoeuvre.

Although Mr. Richard, in a Press conference this morning emphasised that "all the fine print" was negotiable, and that the proposals were in no sense a take it or leave it package, this is the light in which Mr. Smith chose to interpret them.

The Rhodesian Premier was particularly scathing about the proposed role of the British resident commissioner who, under the plan, would have chaired and had a casting vote in a majority black council of ministers and in a national security council.

Although the resident commissioner would have a veto on "certain specified matters," mainly

Continued on Back Page

Tragic decision says Crosland

By Martin Dickson

MR. ANTHONY CROSLAND, the Foreign Secretary, yesterday urged Mr. Smith not to rule out further discussion of Britain's settlement proposals and he gave a warning that if Mr. Smith "closed the door irrevocably" the consequences for southern Africa would be "calamitous."

However, Mr. Crosland said that it appeared Mr. Smith had made a "very desperate and a very tragic decision" to reject the British scheme.

The Foreign Secretary, who was speaking at a Press conference in London given by Mr. James Callaghan and Chancellor Helmut Schmidt of West Germany, refused to be drawn in detail on the Rhodesia breakdown.

Mr. Crosland said that before the broadcast he wanted to make "one last appeal" to Mr. Smith "to have second thoughts and not to close the door irrevocably on any further discussion of the British proposals, because if he does so, then the calamitous consequences for southern Africa which both the Prime Minister and I have described on many occasions will without doubt occur."

The Foreign Secretary, who is to make a statement in the Commons to-day, said it would be impossible to form a view on what future steps Britain might take in Africa until Mr. Richard had returned and reported.

Mr. Crosland spoke to Mr. Richard by telephone when the Geneva conference chairman arrived in Johannesburg last night, and asked him to remain in southern Africa for the time being, gauging the reaction of the South African Government and black African leaders to Mr. Smith's stand.

Rejection

The Rhodesian Government's rejection of the British proposals leave Mr. Crosland with very little room in which to manoeuvre and the chances of retrieving the situation now depend to a considerable extent on the new Carter administration in Washington and Mr. John Vorster, the South African Prime Minister.

Asked on BBC television last night if he would now consider going to Africa himself, Mr. Crosland said there were no plans for this, although he would be prepared to go there instantly if he felt he could "pick up some pieces."

Government raises $1.5bn. Euroloan

BY TONY HAWKINS AND PETER RIDDELL

THE GOVERNMENT has arranged to borrow $1.5bn. for seven years from the Euromarket in order to strengthen the reserves on "a secure medium-term basis."

The move, foreshadowed in Saturday's Financial Times, was announced yesterday by Mr. Denis Healey, the Chancellor of the Exchequer, in a Commons written answer.

The Bank of England negotiated the loan with a syndicate led by a group of major U.K., U.S. and West German banks.

The confirmation of the loan provided a further stimulus to sterling which rose 20½ points on the day to $1.7185½. Dealers believe that the authorities again sold sterling and took in foreign exchange for the reserves to prevent too sharp a rise.

The new loan fits in with the policy agreed at the Basle central bankers' meeting on the sterling balances a fortnight ago of trying to avoid a build-up in either the official or private holdings.

Projected

Mr. Healey yesterday stressed again the U.K. intention not to meet "our financing needs on the basis of any build-up of potentially volatile external holdings of sterling."

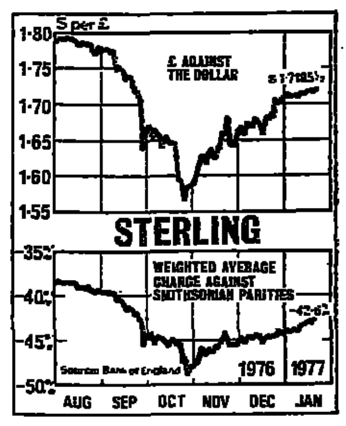
The loan, in conjunction with the International Monetary Fund credit, should both cover the projected current account deficit and allow an increase in the official reserves, without relying on a rise in the sterling balances.

In the last month, very large amounts of foreign money have moved into the U.K., partly into gilt-edged stocks. The authorities are, however, treating this addition to the reserves as a potentially volatile element which is not being used for current account financing.

The arrangement of the credit opens the way for more direct steps actively to discourage private inflows, as has occurred in Germany.

The stated policy on the official balances is not only to prevent a rise but also to encourage a further rundown. After the detailed scheme has been worked out at the next central bankers' meeting in Basle, there are expected to be talks with the official (and major private) holders on bilateral agreements on this aim. These might, of course, have to be supplemented by more direct action.

The raising of the new loan is likely to make any further significant borrowing by nationalised industries and local authorities under the Treasury exchange cover scheme unnecessary for the foreseeable future.



Explaining the new move, Mr. Healey said that the reserves have "for long been very low in relation both to the scale of our external transactions and by international standards." At the end of December, the reserves hardly covered one month's imports.

The $1.5bn. credit has been arranged and wholly-underwritten by a group of 13 German, North American and British banks. The largest contribution comes from the four German banks—Commerzbank, Deutsche Bank, Dresdner and Westdeutsche Landesbank—followed by the four North American institutions: Bankers Trust, Chemical bank, Morgan Guaranty Trust and the Royal Bank of Canada. The five British banks involved are Barclays, Lloyds, Midland, Natwest and Williams and Glyn's.

Significantly, the terms of the loan are much more favourable than those Britain was able to get in this market as recently as last October. The 7-year credit has an average life of 6 years and carries interest at ⅞ per cent above the London Interbank offered rate for six-months Eurodollar deposits (Libor) for the first two years and 1 per cent thereafter.

The funds from the loan will be quickly added to Britain's reserves with one tranche of $1bn. being drawn in the near future (which is understood to mean within 30 days) and the balance of $500m. being drawn down after an interval of six months.

As a result of the raising of the new loan and the first drawing from the IMF, the Government has now decided that no drawings should at present be made on the $300m. short-term swaps from the U.S.

£ in New York

—	Jan. 24	Previous
Spot	$1.7135-7195	$1.7155-7165
1 month	1.55-1.55 dis	1.57-1.53 dis
3 months	3.23-3.20 dis	3.47-3.42 dis
12 months	10.00-9.90 dis	10.65-10.55 dis

Bullock: CBI may quit industrial strategy

BY JOHN ELLIOTT, MANAGEMENT EDITOR

A STRONG hint that the CBI will consider pulling out of the Government's industrial strategy if the Bullock Report on worker directors is turned into legislation was issued last night by Mr. John Methven, CBI director-general.

This illustrates the length to which industrialists are saying they are prepared to go to try to stop the Bullock proposals, which are to be published to-morrow, becoming law.

At the same time Ministerial opinions are sharpening on the issue with the Department of Industry taking a strong line about the inadvisability of implementing such potentially divisive legislation at this time.

Mr. Methven's warning came during Thames Television's People and Politics programme last night when he said that the Bullock proposals would lead to a "major battle" which would sour relationships in industry.

Yet at the same time both sides of industry were coming together at present in the Government's industrial strategy. "How can we possibly continue to co-operate in the industrial strategy if we are in fact battling on how we involve everyone in companies?" asked Mr. Methven.

He did, however, make it clear that the CBI was not totally opposed to worker-directors in principle.

Mr. Methven would not confirm during the programme that his remarks meant that the CBI would definitely pull out from the industrial strategy talks which are taking place under the umbrella of the National Economic Development Council.

He based his refusal on a belief that the Government would allow full consultation on the Bullock proposals.

However, it seems likely that the CBI would threaten to pull out if the Government insisted on going ahead with its pledge to the TUC to legislate on the proposals.

An alternative view of the link between the industrial strategy and the Bullock proposals came, however, during the programme from Mr. David Lea, a TUC member of the Bullock committee.

He said that the idea of worker-directors was justified because it was the equivalent in the Boardroom of the responsibility which unions were being expected to shoulder under the industrial strategy.

In the debate now building up between Government Ministers on the subject, the position of Mr. Eric Varley, Industry Secretary, is crucial because of the pressures he is coming under from industrialists to oppose the Bullock report in the Cabinet.

He also has a primary role to play in the implementation of Bullock-style proposals in the nationalised industries.

Despite some reservations in the Department of Industry, the Government in general feels committed to legislating on worker-directors. Yesterday, one of Mr. Varley's junior Ministers, Mr. Robert Cryer, said that leaders of industry should be more constructive in their attitude towards the work of the Bullock committee.

In the Commons he said there was a movement throughout Europe to give working men and women a much greater part in decisions that greatly affected their lives.

So far he had been very disappointed by the CBI's "rigid position" on such proposals. The Bullock report would be an important step forward in the development of industrial democracy in Britain.

Parliament Page 10

Guinness in fight with NEB

BY TERRY WILKINSON, CITY STAFF

THE NATIONAL Enterprise Board's plan to take a 24.4 per cent. stake in White, Child and Beney, the Manchester materials handling and plastics company, has sparked off a hotly-contested £5m. bid from Arthur Guinness Son and Co., the company's main shareholder.

This is Guinness's second attempt to gain control of WCB. After unsuccessfully, through its subsidiary GPC Holdings, bidding the equivalent of 41½p a share in 1974, compared with the present 65p in cash or 62½p in Guinness shares, the brewers ended up with a large stake in WCB, since increased to 44.35 per cent.

Although hampered by City takeover rules, which permit it to buy only 2 per cent. of WCB's shares a year or make an outright bid, Guinness has always made it clear that it wanted control of the company.

On December 23, WCB announced that the NEB had agreed to subscribe £1.1m. in cash for new shares giving it an ultimate equity stake of 24.4 per cent. This move would have had the effect of diluting Guinness's stake to about 35 per cent.

Mr. Peter Guinness, chairman of GPG, was concerned yesterday that the NEB had "allowed themselves to be used to dilute GPG's effectiveness." His company had no alternative than to oppose the NEB proposals and make a bid for control of WCB.

Mr. Guinness said that a placing of his company's 44.35 per cent. stake, which at one stage had been offered to the NEB but turned down by Lord Ryder, the Chairman, had been ruled out because of the small institutional interest in WCB shares.

It was clear too, he added, after meetings last week with the "fiercely independent" Board of WCB headed by Mr. Richard Beney, chairman that an agreed bid was out the question.

Mr. Beney, whose family is thought to control up to 40 per cent. of WCB's shares, said last night that the bid was "not unexpected," but dismissed the offer price as "ludicrously low." He said shareholders had nothing to lose by holding on to their shares.

The offer, closing on February 14, is 130p in cash or one Guinness share for every two shares in WCB, which closed 13½p lighter at 63½p. Accepting shareholders will be entitled to the final dividend of 1.734p announced last week, with WCB's pre-tax profits for 1975/6 increased from £947,000 to £1.03m.

Guinness has been advised by Samuel Montagu and WCB by J. Henry Schroder Wagg.

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For latest Share Index 'phone 01-246 8026

LOMBARD

Architects of unemployment

BY SAMUEL BRITTAN

THOSE who denounce an evil most are often those who do most to cause it. This is particularly the case with unemployment. If we are making a list of people who have contributed to make our unemployment levels so high and intractable, Mr. Michael Foot, who put so much union-inspired legislation on the statute book, and Mr. Jack Jones, who was instrumental in the Social Contract, come very high on it.

Such people are, of course, sincere in their hatred of unemployment. The problems arise because they also have a sincere hatred of low wages; and they have not seriously considered whether there is a conflict between raising the pay of the less well off and full employment. Governments have thought it tactless to emphasise that if more is charged for any service, including human work, less will be purchased. If Mr. Jones had faced the problem and decided that it was more important to raise the wages of the lower paid in jobs, and downgrade the interests of the out-of-work, one could understand, even if one disagreed. But one has the impression that politicians, civil servants and their economic advisers avoid arguing with the Transport Workers' leader on fundamentals; and either do what he says, or plead financial complications, or shelve the matter to committees.

Flat rate

The effect of two near flat-rate increases in the 1975 and 1976 national pay increases is, or should be, fairly familiar. But the attempt to narrow differentials by no means stops here. Schedule 11 of the Employment Protection Act which came into force in January provides for increases for workers paid below the going rate in their industry and area. Mr. Jones has called on the Government to implement the Schedule with vigour. In addition, the Department of Employment has boasted of its campaign to root out pockets of low pay in trades governed by minimum wage legislation.

Characteristically, the CBI's main objections to implementing Schedule 11 of the Act is that it is inflationary and breaks the national pay policy, which is not the point at all. The real objection is that such measures deprive people of the right to price themselves into jobs and that they raise unemployment and reduce output. A drive to enforce the rate for the job is not even good equity. There may be all sorts of reasons why workers are willing to work in some establishments at less than the going rate—such as nearness to home, the more human atmosphere of a small but less "efficient" establishment, a slower pace of work and countless others, mainly of a highly subjective nature which could not be taken into account even in any amendment of Schedule 11. As for the catering and other low wage workers rescued by the Department of Employment's blitz, I wonder how many of the least skilled and least employable have been shown the door as a result? If it costs more to employ a washer-up in a kitchen, either fewer will be taken on, or there will be severe screening to eliminate the less adequate and attractive applicants. Alternatively what is put down on paper will bear little relation to what actually happens, in say, hours or conditions of work.

Network

The place where the network of deterrents to hiring labour—and corresponding incentives to offset them—has been carried to the most absurd lengths appears to be the Netherlands. Minimum wages are so high that the firms think many times about hiring workers. The state tries to offset this by wage subsidies for apprentices, but the distortions do not cancel each other out. The effect of the incentives is reduced because companies must offer apprentices employment contracts conforming to collective agreements; and it is thus still very difficult for young people to price themselves into work.

On top of this is a generous social security system which eliminates most of the financial cost of being without a job. Out of a total working population of 4.5m., well over 200,000 are officially jobless; over 300,000 deemed unsuitable for full-time jobs, and 300,000 more not at work for various reasons such as illness and absenteeism.

The construction industry reports shortages of workers, while still suffering from high unemployment. A leading chemical concern on a recruitment drive could attract only Yugoslav workers. A steel group could have taken on another 2,000 workers, but was unable to hire them. It was not allowed to recruit in Spain and was told to call on Turks already in the Netherlands on the dole.

Silly policies are thus not confined to the U.K. But one has a feeling that the Dutch are both better able to afford them and more likely to throw them off in time.

WINE — BY EDMUND PENNING-ROWSELL

Armagnac—undeniably world's No. 2 brandy

IT IS NEITHER comfortable commercially, nor subjectively agreeable to be "the second" of anything. Yet that is the undeniable position of armagnac, the second brandy of France. But it looks rather different if described, surely correctly, as the second brandy of the world. For no other brandy but cognac can equal, let alone surpass it.

If cognac were to be wiped out in a departmental conflagration similar to that which in 1974 gutted a huge Martell warehouse in Cognac, and could have involved the whole town, then one would not complain so long as Armagnac remained unharmed. Indeed something like this happened a hundred years ago, when the Charente was assailed by the phylloxera. Demand for armagnac soared, but dropped again when that insidious insect invaded the Gers in 1894.

Armagnac's lesser position is as much the result of geography and its consequence as of quality. The great natural advantage of the Charente has always been its nearness to the sea; historically the ports of Rochefort and La Rochelle played a great part in cognac's successful dissemination. For normally about 80 per cent. of cognac is exported. Armagnac, however, is produced in the delightful but isolated department of the Gers—roughly halfway between Bordeaux and Toulouse—and its natural outlets to the sea were by devious tributaries of the Garonne and Adour.

Foreign view

For it is in the export rather than the home market that armagnac suffers in comparison with its rival. Even in the depressed year for cognac of 1975-76, 227,000 hl., measured in terms of pure alcohol, left the Charente for abroad, compared with 20,000 hl. of armagnac. Yet on the home market only 47,000 hl. of cognac was sold, compared with armagnac's 20,000 hl., and this was a poor year for the latter. In 1973-74 the comparable home figures for cognac and armagnac were 39,000 hl. and 20,000 hl. respectively. (One hectolitre equals 357 bottles containing 70 cl. at normal 30 u.p. strength.)

Armagnac's isolation—the name comes from an old county, annexed by Henri IV to France in 1589—has meant that it never attracted the attention of enterprising foreign merchants, who were largely responsible for developing cognac: Hennessy, Hine and Martell, for example. Thanks to the foreign markets these firms prospered, expanded and were able to publicise their wares, whereas this did not happen in the Gers. And as the above figures show, as much armagnac is consumed within France as abroad.

Yet the Gascons—for this is the heart of Gascony—boast that eau-de-vie made from grapes was first produced in what is now the Gers. The Gascons are, of course, known for their boasting, their bravery—and their arrogance. D'Artagnan, born about 1615 in the charming château of Castelmore in the middle of the region, is the epitome of a Gascon, if, in the novels of Dumas, a little larger than life. To-day he is the patron saint, or should one say the Napoleon, of armagnac, although even the Gascons do not claim that he ever drank the brandy, which probably did not receive its name until about 1850; although at least 50 years earlier it was distilled partly by the peculiar still, known to-day as the *alambic armagnacais*. Previously the brandy was sold as eau-de-vie d'Armagnac, and then, blended with other eaux-de-vie, lost its identity.

Armagnac's best markets abroad are West Germany, Sweden, Belgium and Hong Kong. In 1974-75 Germany imported 13,500 hl, though in 1975-1976 the total dropped to just on 10,000 hl. If the U.K. total of 400 hl. in the last year is not very impressive, it was 650 hl. the year before and 1200 hl. in 1973-74. The fall is largely attributed to over-stocking here, as happened with cognac. And when I visited the region last in 1968 our annual imports totalled just 78 hl.

Indeed, armagnac has been looking up recently. Sales have doubled within the past five years, and in France the price usually has the edge on those of comparable cognacs from the big firms. That it has attracted greater attention may be gauged from the fact that Benedictine and Camus have interests in Armagnac; and three years ago Martell bought a 30 per cent. stake in Janneau, the oldest and one of the most respected firms, founded in 1851 and run by the same family ever since. This capital reinforcement has enabled the firm to expand its cellars, with large new warehouses outside Condom, the "capital" of Armagnac.

About half the 14,000 growers are members of the 14 co-operatives in the region, and these co-ops, producers of at least 35 per cent. of all armagnac, are responsible for about 45 per cent. of all armagnac sold. Their brand names include Marquis de Caussade, sold in England by Courtenay Wines. Nevertheless, it is a sad fact that the co-operatives make more money by selling their not-very-distinguished wines — just plain table wines without any appellation of origin — than by brandies they sell in bulk, though the growing trade in bottled armagnac is much more profitable. Moreover, armagnac has the promotional advantage of two special bottles: the *basquaise*, a replica of the German bocksbeutel, but dating in the Gers from 1850, and the Pot Gascon, a 2¼-litre bordeaux-bottle style, but with more sloping shoulders.

The Gers' chief problems lie not so much with the brandy, though stocks of this are currently too large, as with the wine. For just as the cognac boom that began in the late 'sixties encouraged the Cognac growers to increase their vineyards extensively—with, at present, near-disastrous effects—so too did the Gers cultivators; with the result that the area under vines has grown from 15,000 ha. seven years ago to a total now approaching 25,000 ha.

The brandy is made only from white wine, otherwise a drag on the market; and only one-third of this white wine is required for distillation. About one-quarter of the total crop has to be sold to the Government for distillation, not into armagnac, but for blending with other grape brandies. The Government agency then sells off this spirit at a lower price than paid to the growers for their wine: and some of this goes abroad where it is used in blends that can then undercut armagnac—and cognac too, for that matter, in some markets.

Pure grape

In Britain just now, both brandies are facing the competition of the French pure grape varieties. These at best are useful only for mixers, and armagnac in particular deserves a bigger demand here. For it is less "mucked-about" than some of the over-coloured, over-sweetened cognacs that are to be found here. At the peak cognac is incomparable, but also at a price! Armagnac is particularly good value, not least because of the big stocks of old brandies. Although the minimum ages for Three-Star, VSOP, Napoleon (yes, he's the adopted son of armagnac too!), Hors d'Age, etc., are the same as for cognac, the brandy in the basquaise bottle is likely to be considerably older. In general armagnac is more powerful, more insistent than cognac. This is mostly the result of the way it is produced and aged: and this I will describe in a further article.

SALEROOM — BY ANTONY THORNCROFT

Stirrup cup only £1,200

CHRISTIE'S, for one, has been slow at starting up auctions again after the Christmas break, but yesterday it sold English pottery and porcelain, and is now back to daily sales. Little of much importance was on offer in an auction which brought in £22,294.

Top price was £1,400 for a Wedgwood blue-and white jasper campana vase, comfortably above forecast. It went to Newbon.

A rare Wedgwood and Bentley black basalt fox-mask stirrup cup just reached its target at £1,200 (Simmons), and a pair of London decorated Nantgarw plates made £800.

An unusual item was a London Delft blue-and-white hand-warmer (or perhaps a candle holder) of 1659 which sold to Jellinek and Sampson for £650.

As usual there was a very good demand for books, Sotheby's selling some for £32,534, with hardly any bought in.

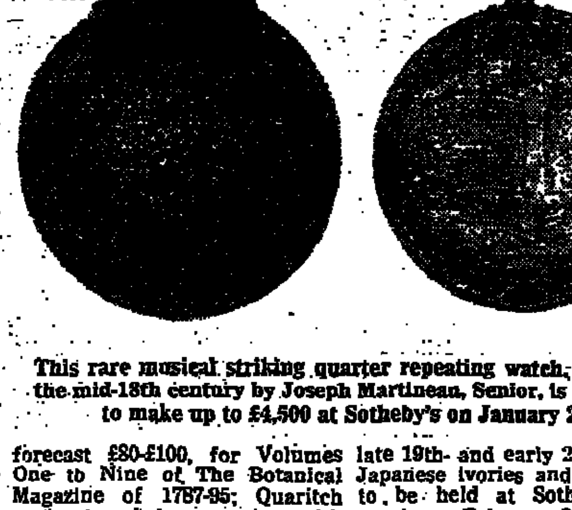
The top price was £1,300 from Burgess (over double the forecast), for a copy of Batty's *Hanoverian and Saxon Scenery*, 1829, replete with plates.

Quaritch gave £1,200, well ahead of the £150-£200 estimate, for a collection of 11 18th-century pamphlets in two volumes.

A German dealer paid £900, forecast £80-£100, for Volumes One to Nine of The Botanical Magazine of 1787-95; Quaritch again exceeded expectations with £800 for three first editions by Joseph Strutt about English manners.

Another copy of Batty, this time his *Scenery of the Rhine*, was bought for £750.

Probably the best auction of late 19th- and early 20th-century Japanese ivories and lacquer is to be held at Sotheby's, Belgravia, on February 3. There are two pieces by the celebrated Ishikawa (Mitsukai) Komei, and the prices for ivories, a fast appreciating market, are expected to go up to £2,000. Lacquer and shibayama should range from £900 to £2,000.



This rare musical striking quarter repeating watch, made in the mid-18th century by Joseph Martineau, Senior, is expected to make up to £4,500 at Sotheby's on January 28.

TENNIS — BY JOHN BARRETT

Tie-break too much for Taylor

PHILADELPHIA, Jan. 24.

TWO BRITISH left-handers made quick exits on the opening day of the $200,000 U.S. Professional Indoor Championship here to-day and there was a touch of sadness in both losses.

Roger Taylor, former No. 1, now ranked fourth in Britain, promised a return to his old commanding form as he led Fred McNair, of Chevy Chase, Maryland, 5—2 in the opening set. But once the 25th ranked American had saved a set point on his service at 30—40 in the eighth game the tide of British inspiration ebbed.

Looking slower than of yore, Taylor, now 35, was caught at 5—5 and, despite holding on to lead 6—5 after a fluctuating game of 22 points, he was taken to a tie-break by the now improving American.

McNair, volleying better, raced to 5—2 in the "sudden-death" play-off and clinched the set.

Nor could Taylor move into a higher gear in the second set, which was quickly surrendered 6—3.

The other loss looked likely for a moment to become a famous victory. The 23-year-old Surrey player Michael Wayman, a History and Fine Arts graduate of the University of Southern California, played with impudent and powerful skill to sweep the first set from under the nose of Texan Bill Scanlon for the loss of only the 4th game.

That he was playing at all was surprising, for he came into the draw at short notice in place of the absent Karl Meiler, of Germany. Scanlon was nervous, for he had lost to Wayman in 1975 when playing for Trinity College against U.S.C.

There was little sign of the form that had gained the Dallas man a win against the seeded Panatta at Forest Hills last September, or against Nastase two weeks ago in Birmingham, Alabama.

But in the opening game of the second set Wayman turned his left ankle in chasing a Scanlon volley, and suddenly all hope of victory was gone. The limping Wayman fought gamely, went down 1—6, 6—0, 6—3, but did enough to show how much his American sojourn has improved him.

Down in sunny Florida, where snow last week threatened to disrupt the $200,000 Pepsi-Cola Grand Slam of tennis, Bjorn Borg was battling with Jimmy Connors for a first prize of $100,000; in Maryland the most improved American of 1976, Brian Gottfried, was upsetting the odds in the $100,000 Baltimore International Indoor by threatening to defeat the left-handed favourite Guillermo Vilas of Argentina; and out in Texas the British No. 2, Sue Barker, was bidding for a third consecutive victory over another left-hander — the self-exiled Czech, Martina Navratilova, who now lives in Dallas—in the final of the Virginia Slims of Houston.

For Miss Barker the year has started well. Already in three weeks of the Virginia Slims tour she has earned $20,000. She also had a victory two weeks ago in a place match over Virginia Wade who she is desperately keen to replace as Britain's leader.

On Sunday, though, having squandered chances in the opening set of the Houston final against Miss Navratilova, she lost the tie-break 3—5 and then failed on two set points in the second set as the Czech girl recovered with a run of four games that gave her a 7—6, 7—5 victory.

Gottfried, who was born in Baltimore but now lives in Florida, gave the home crowd something to cheer about as he beat Vilas 6—3, 7—6 with a sustained net attack. This was the second victory running over Vilas for the American Davis Cup man who will be 25 on Thursday.

No one, of course, matched the earnings of Jimmy Connors last year. He lost only seven times and banked a massive $687,335. However, his good start this year, which began with victory in the WCT Tournament in Birmingham, Alabama, two weeks ago, was cut short in Florida on Sunday. Despite the frustration of failing on three match points in the second set, his chief rival, 20-year-old Borg, came back to win the second annual Grand Slam title 6—4, 5—7, 6—3 in a gruelling 2½-hour battle of endurance.

RACING — BY DOMINIC WIGAN

Sonny Somers for Worcester

FEW CHASERS have done better at Worcester in recent years than the Charles Vernon Miller-trained Bighorn, and many local racegoers will hope that this remarkable 13-year-old can gain his fifth course-and-distance victory in the Geoffrey Elliot Memorial Chase.

Although Bighorn seems sure to give his supporters a good run for their money, I believe that another popular veteran, the 12-year-old Sonny Somers, will just have his measure.

This tough Will Somers gelding, who has, with his brother Osbaldeston, been a wonderful servant to Fred Winter for many seasons, ran his best race for some time when taking third place in Leicester's Breedon Chase a fortnight ago. There Sonny Somers made steady headway from the fourth from home, and at the line was beaten by only half-a-length and the same by Mister Know All and Coolaru, to whom he was respectively conceding a stone and 20 pounds.

The winner paid a useful compliment to the form when following up at Fontwell yesterday, and there seems every chance that Sonny Somers, who could not be in better heart, will gain his first success of the campaign.

A second likely winner for Uplands is the somewhat erratic though extremely talented Count Kinure, among the runners for the Foregate Novice Chase.

WORCESTER
1.00—Bagdad Gold
1.30—Count Kinure***
2.00—Blazing Gold
2.30—Sonny Somers**
3.00—Lanky Lad
3.30—Vieta Steel

SEDGEFIELD
2.15—Corola Mudre*

The winner of three races last season, including a competitive handicap hurdle at Newcastle, where he got home by a length from Highway Rambler, Count Kinure has had only one start this term.

Three weeks ago he ran well for a long way before tiring in a 17-runner handicap hurdle at Wincanton, won by Heidelberg. That outing will have sharpened up Count Kinure considerably for this, his first public venture over fences, and he could well be worthy of interest.

In the Gold Cup Lanzarote, who won in such devastating style at Lingfield last week, was the subject of a great deal of interest yesterday.

Ladbrokes reported laying a substantial bet on the former champion hurdler, while the tote also took a lot of money for Lord Howard de Walden's gelding.

Provided that all goes well with him in the next few weeks, and he comes through his final preparatory race (probably at Ascot) Lanzarote will almost certainly be Francome's choice for Cheltenham. This will leave Ron Davies to take the "spare ride of the season" on Pendil.

WORLD CUP SKI-ING — BY ARTHUR SANDLES

Stenmark takes overall lead

INGEMAR STENMARK of Sweden came only second in the World Cup giant slalom in Adelboden, Switzerland, yesterday, but it was enough to put him in the lead in the overall World Cup rankings. Stenmark could not match the Swiss Heini Hemmi, and later suggested it was because he was out of training for the discipline.

This may be a little unkind towards Hemmi, however, since the bearded and slightly-built Swiss—he weighs only 10 stone—has regularly proved that he can do in the giant slalom what Stenmark does in the slalom and the remarkable Franz Klammer (Austria) does in the downhill. Only the fact that Stenmark has been showing signs recently of coming into top form cast doubts on Hemmi's ability to continue his winning run.

Stenmark's second place was one ahead of the Austrian Klaus Heidegger, the man who is making Stenmark work for his World Cup points these days.

The Swede now has a healthy lead in the World Cup rankings over Klammer but is going to have to keep winning in order to make sure of retaining his crown against the challenge of Heidegger who is well within striking distance.

We are coming to the end of the European World Cup circuit, and there will be a respite of nearly a month during February for the show restarts, with some good racing promised in North America.

But there are still a few good things to come before then. The British, for example, will be watching to see how their girls do in the women's races in Crans-Montana this week.

World Cup giant slalom (combined times): 1, H. Hemmi (Switzerland) 3:07.94; 2, I. Stenmark (Sweden) 3:08.72; 3, K. Heidegger (Austria) 3:10.80; [illegible]

World Cup rankings (overall): Stenmark 148 pts; 2, Klammer 135; 3, Heidegger 131; 4, G. Thoeni (Italy) 103; 5, Hemmi 98.

SNOW REPORTS

[illegible]

Above reports were supplied by representatives of the Ski Club of Great Britain.

TV/Radio

† Indicates programme in black and white.

BBC 1

9.38 a.m. For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Bod. 2.00 You And Me. 2.14 For Schools, Colleges. 3.20 Pobol Y Cwm. 3.53 Regional News (except London). 3.55 Play School. 4.20 Dastardly and Muttley in their flying machines. 4.25 Jackanory. 4.40 The Apple of Discord. 5.10 John Craven's Newsround. 5.20 Country Search. 5.40 News. 5.55 Nationwide (London only). 6.20 Nationwide. 6.50 Dad's Army (London only). 7.20 The Waltons. 8.10 Warship. 9.00 News. 9.25 Play for To-day. 10.35 To-night. 11.15 The Education Debate. 11.40 Weather/Regional News.

All regions as BBC 1 except at the following times:

Wales—5.55-6.20 p.m. Wales To-day. 6.50 Heddiw. 7.15 Ar Glawr. 7.45-8.10 Holmes and Yoyo. 11.40 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 6.50-7.20 Indoor Bowls: England v Wales. 11.15 History Is My Witness. 11.45 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 6.50-7.20 Here's How. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth). 6.50-7.20 East (Norwich) Spot On!; Midlands (Birmingham) The Editor's Chair; North (Leeds) Youth Concerts; North East (Newcastle) Looks Natural; North West (Manchester) We'll Call You; South (Southampton) Hey Look ... That's Me!; South West (Plymouth) Peninsula; West (Bristol) Band Call.

BBC 2

11.00 a.m. Play School. 2.15 p.m. Other People's Children. 2.30 Wordpower. 3.00 Film As Evidence. 3.30 Peter Donaldson's Illustrated Economics. 7.00 News on 2 Headlines. 7.05 Zarabanda. 7.30 Newsday. 8.10 The Philpott File. 9.00 The Musical Time Machine starring Vince Hill. 9.45 The Man Alive Report. 10.35 The Punch Review. 11.05 Late News on 2. 11.15 The Old Grey Whistle Test. 11.55 Closedown: Martin Jarvis reads "Two Wise Generals," by Ted Hughes.

LONDON

9.30 a.m. Schools Programmes. 12.00 [illegible]. 12.10 p.m. Pipkins. 12.30 Paint Along With Nancy. 1.00 News. 1.20 To-day's Post. 1.30 Crown Court. 2.00 Good Afternoon. 2.25 Sam. 3.20 Rooms. 3.50 Emmerdale Farm. 4.20 Michael Bentine's Potty Time. 4.45 Magpie. 5.15 ... And Mother Makes Five. 5.45 News. 6.00 To-day. 6.35 Crossroads. 7.00 Dave Allen and Friends. 7.30 The Six Million Dollar Man. 8.30 Robin's Nest. 9.00 This Year Next Year. 10.00 News. 10.30 Football. 11.35 Manhunter. 12.35 a.m. Close: Roger McGough reads his own poems.

All ITV regions as London except at the following times:

ANGLIA

[illegible]

ATV MIDLANDS

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4 434m, 330m, 285m and VHF

[illegible]

BBC Radio London 206m and 94.9 VHF

[illegible]

London Broadcasting 261m and 97.3 VHF

[illegible]

Capital Radio 194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,288

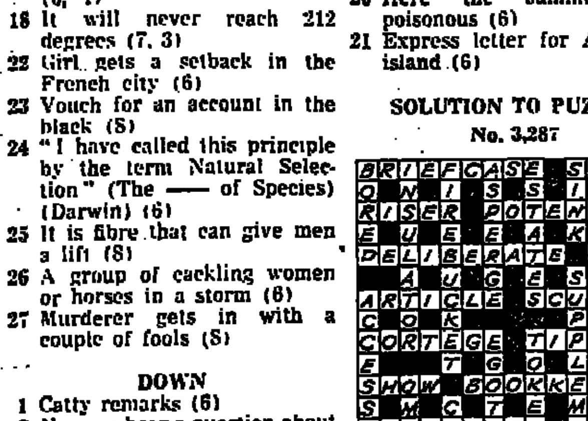
ACROSS

1 Fashionable pad, but pussy's off-key (4, 4)
5 Everyone in the Republican party sets a fast pace (6)
9 Had a meal with the foreigner withdrawn (8)
10 Dashing young fellows can be cutting (6)
11 Tricky customers these fishermen from the West (8)
12 Married friend returns with the makings of a double chin (6)
14 There is passion in the seaport, but the crisis is past (6, 4)
18 It will never reach 212 degrees (7, 3)
22 Girl gets a setback in the French city (6)
23 Vouch for an account in the black (8)
24 "I have called this principle by the term Natural Selection" (The — of Species) (Darwin) (6)
25 It is fibre that can give men a lift (8)
26 A group of cackling women or horses in a storm (6)
27 Murderer gets in with a couple of fools (8)

DOWN

1 Catty remarks (6)
2 Nay, we hear a question about the hotel (6)
3 The last movement recorded about North America (6)
4 Later in search of pupils (10)
6 "Like Niobe, —" (Hamlet) (3, 5)
7 Sweetheart with a title to nothing (4-4)
8 Permit to ignore what is left (8)
13 A smack to encourage the carpenter (3, 2, 5)
15 Penchant gives clue to farewell performance (8)
16 Permanent and in smart surroundings (8)
17 Bird to settle at the cobbler's (4-4)
19 Equip a girl for the fleet (6)
20 Here the summers are poisonous (6)
21 Express letter for American island (6)

SOLUTION TO PUZZLE No. 3,287



lizabeth Hall

Brendel

by DOMINIC GILL

Admirers of Brendel—or I ould say rather fans or cionados, for no one can fail admire Brendel's extraordi-ry quality—rank him as a ethoven interpreter with the ants: with Schnabel, Serkin, ckhaus, Solomon. There was time, when Brendel was unger, and when we knew his ethoven chiefly through his erb early recordings for Vox vailable still as Turnabout ssues), when I was inclined to ree. Listening again to some those early discs, one is pped as ever by the fire and thority of the playing—lliantly clear and cogent; ere muscle is called for, hard granite, strong as carbon-el; in its gentler pages, shot ough with the most delicate d intimate poetry.

Then there was a period when was no longer so sure. A kind blandness, and a curious gness, came to the fore more d more frequently in the per-mances. It sometimes seemed at the fire had turned to fay-ss; the sinew had gone out of e sound. But that was several ars ago: and Brendel is clearly ming into his own again. I ve not yet found any of the w Philips Beethoven record-gs which I prefer unreservedly cept for their sound-quality) the old Vox cycle. But there no doubt that Brendel's Beet-ven playing has regained uch of its early stature. One n accept his performances -day wholeheartedly for what ey are, love or admire them, joy them once more with only e smallest reservation.

The reservations can be ickly dealt with, though none easy to define. Perhaps it is at one knows little too easily, ter five minutes of hearing rendel play, how the next page exactly how the next page—ll sound: clear, strong and premely intelligent, but at base edictable? The playing also eks a certain element of light-ng and shock; electric current lacks, too, even at its most perfect (and sincere, for it is never less than scupulously honest), a spiritual dimension—a spiritual buoyancy, a sublime flowering, which the playing of Solomon achieved, which Serkin still achieves.

To press comparisons too hard, on the other hand, and to conjure with too many names in the Beethoven pantheon, is to blame Brendel for failing to be another artist entirely, which is no part of my intention. He is, unequivocally, himself: and that, at its finest, is deeply impressive. Last night, at the fourth recital of his complete Beethoven sonata cycle which continues at the Elizabeth Hall until the end of next month, he gave two very beautiful performances indeed—of the great, early revolutionary D major sonata op. 10 no. 3, and of that wonderful flower of the middle period, the Waldstein.

In the slow movement—the *largo e mesto*—of the D major sonata especially he was at his most eloquent, rounding the music with marvellous simplicity and clarity; in the finale too, done with unexpected (here nothing was predictable) explosive passion, tempered with a nice edge of wry humour. The Waldstein was magnificent: the first movement knife-sharp, every note and gesture perfectly balanced; the adagio rapt and calm; the rondo melody smoothed to a shimmering, glittering sea-swell. (Why do so few pianists these days play real octave glissandi in the final pages: is it just that on a modern piano, with its heavier action, an octave glissando actually hurts the fingers?)

By its very choice of works Brendel's fourth programme scaled none of the later, greater sonata heights. But his forthright treatment of the little G major sonata op. 79 and the E major op. 14 No. 1—both performances of the greatest force and economy—was entirely compelling on its own terms.

ovent Garden

Swan Lake

by CLEMENT CRISP

For Vergie Derman and Wayne gling *Swan Lake* cannot now considered a test of their ilities, although they are com-rative newcomers to it. Last ht they showed—exceptionally in the third act—that they properly be ranked among Royal Ballet's most interest-g casts. This is not to say that eir joint interpretation was mplete; Act 2 was somewhat ted in its dramatic impact, t an overall comprehension of ballet, and admirably suited chnical gifts, mark them as rthy inheritors of the leading es.

Miss Derman's beautiful gance of manner, the long furling of her line in besque, are well displayed in ette's dances. In the first lake-le scene she is mysterious, most elusive in emotion, but sufficiently responsive to the serness Mr. Eagling shows at ir meeting. The great adagio eved and soared, yet the later los seemed somehow indecisive, all their distinction of musi-l phrasing. As Odile, though, ss Derman comes very excit-gly into her own; and so does Eagling. Miss Derman pro-ced an amused brilliance for e *pas de deux*, as if steps of tuosity were the merest tricks which she can ensnare poor Siegfried. The radiant assurance of her dancing was matched by Mr. Eagling at every moment. His was a true bravura display: prodigies of technique (and a very well arranged solo) were tossed off with such easy stylishness, and such polish, that he demands comparison with the finest interpreters of our time. It is dancing distinguished at every moment by a feeling of complete authority—and the revised structure of the coda, in which Mr. Eagling's beautifully graded pirouettes lead into Odile's fouettés, is ideal.

The emotions so fully stated in Act 3 were carried through to the last act, which had the warmth of feeling that had served somehow clouded in Act 2. It came thus as a culmination of the drama, and brought the joint interpretation to a fine climax. Throughout the evening a common factor of both performances had been musical responsiveness: would that the orchestral playing been as poetic and apt as the dancing. A salute in passing to the national dances in the ballroom; these have been singularly ragged of late, with the foot-beats of the Spanish dance often sounding like someone falling downstairs. Last night the rhythms here, and in the Czardas and the Neopolitan, were precise and bold.

adio 3

Beaux Arts Trio

n yesterday's lunchtime broad-t live from St. John's Smith uare, the Beaux Arts Trio pro-ided a reminder of its splendid ethoven series a season ago h a performance of the E flat o, Op. 70, no. 2. The playing s all the things we expect from s peerless piano trio—sensi-e in the balance of parts, ished in the timing of each ture, beautiful mellow in tone. this work, at once surging and centrated, with the rampantly ectious good humour of the ale and an air of Haydnesque beficence about the whole, the porate excellence seemed ally too civilised, too discreet redict the fullness of the sic.

The first work of the recital had been the Shostakovich E minor Piano Trio, Op. 67. One might have expected the same tactful qualities about the ensemble to diminish the black humours of the music. Yet, from the frozen lyricism of the opening, rendered with extreme delicacy, the effect was one of accumulating tension, contained until the final "dance of death." Here the players, notably violinist Isidore Cohen, permitted themselves a vehemence of statement that made the work all the more moving. Death has seldom appeared a wilder or darker obsession of Shostakovich's than in this trio, or in this performance.

MAX LOPPERT

New appointment at the Royal Court

The council of the English ...age Company announce the ...pointment of Stuart Burge as ...tistic director of the Royal ...urt Theatre with effect from ...bruary 1 in a statement issued ...t night.

They express their gratitude to ...e National Theatre and to ...ter Hall for agreeing to re-...se him from his proposed ...gagement to them. "Mr. ...rge," the statement continues, ...s happy to accept this offer, ...cause he feels the Royal Court ...one of the most important ...eatres in the country, and he believes that it is essential that it should survive as a writers' theatre."

Nicholas Wright and Robert Kidd cease their joint directorship as the result of Mr. Kidd's resignation. An announcement about Mr. Wright's future will be made shortly.

The council of the English Stage Company plans to review its own composition and internal working structure, and a sub-committee has been set up for this purpose under the chairmanship of Sir Hugh Willett.

A BBC orchestra to be disbanded

The Academy of the BBC, for-...rly called the BBC Training ...chestra, will be disbanded by ...ptember. The orchestra, based ...Bristol, was formed for the ...aining of young players, and ...e BBC has decided that it is ...o much for this responsibility ...to be borne out of licence fees. ...tempts have been made to find ...tside support, but without suc-...ss. The saving to the BBC, ...ich is running 11 fully pro-...ssional orchestras, will be some ...000 a year.

New President for Cheltenham festivals

Sir Lennox Berkeley has accepted the invitation to become President of Cheltenham Arts Festivals for a term of three years from January 1977, following the death of Sir Arthur Bliss, President since 1965. He has been associated with the Cheltenham International Festival of Music for many years, and five of his works have been commissioned for it.

Sir Lennox will also be President of the Cheltenham Festival of Literature, in which he has expressed an especial interest.

V & A current exhibitions

by WILLIAM PACKER

Walt Disney Productions

A drawing for 'Snow White and the Seven Dwarfs,' showing pre-production versions of the characters

The crisis at the V and A, visited upon it by the Government's late efforts at economy, is perhaps too contentious an issue to deal with in a review, and well enough known in any case to require a further lengthy airing. And in the meantime, whatever may be the fruit of Dr. Strong's carefully provocative decision, to suspend the work of the excellent circulation department, in terms of provincial cultural deprivation (a real loss indeed, though the complacent Londoner must exercise his imagination somewhat to feel it), the main activities of the museum go on in much the fashion we have come to expect, serving and enlightening the public, helping the scholar, caring for and enhancing the great collection that it holds on our behalf.

At South Kensington we have one of the great treasure houses of the world, and should never need a special reason for going inside. Too often, however, we wait for the major show, the great loan exhibition, to tempt us in, seeing little else. But now that there is less money available to secure such treats, we must expect the museum drawing upon its apparently endless resources, to come back into its own. We must learn to love it as it deserves to be loved, for itself, where, whatever its faults, always there is something to discover, or rediscover, or simply take in yet again.

All collections grow by degrees, dependent always upon the chances of availability, no matter how active the collector in tracking down his material. At our great museums, the process is continuous, the occasional sun-burst of publicity illuminating the spectacular or controversial purchase, but, for the most part, quiet and unremarked: which makes the regular modest displays of recent acquisitions all the more fascinating and intriguing, lucky-dips compounded of bargains and bequests and crucial stop-gaps, and all revealing the considered priorities, and the tastes, of the custodians. *Treasures of the Print Room Acquisitions: 1975-1976*, which fills rooms 70 to 73 at the V and A until April 17, is just such a show.

It covers almost the full range of the graphic arts, embracing miniature, water-colour, drawing, print-making, illustration and cartoon and design, both decorative and three-dimensional. The paintings take us from the 16th and 17th centuries, with miniatures from the Herschorn Bequest, through the 18th, with Thomas Jones's view of Sorrento, and the 19th by way of Owen Jones and his extraordinary interior of an Oxford Street emporium, and so into the twentieth.

One of the most interesting critical developments of recent years has been the general reappraisal and consequent rehabilitation of English painting of our own century, which is reflected here by the showing of a group of small abstract works dating from the 1930's, by such artists as Winifred Nicholson, John Piper and Cecil Stephenson, alongside examples of Russian Constructivism, a Lissitzky "Proun" lithograph and an earlier Exter gouache. The influence is natural and obvious, but such a juxtaposition would have seemed impertinent only a short time ago.

There are many other notable things, of course: 17th century wall-paper, drawing for furniture by Conran; Penguin book covers, a set of Art Nouveau bath furniture by Nelson and Edith Dawson; dress designs by Mary Quant and John Bates and textiles by Graham Sutherland and Henry Moore: an early Matisse wood-block. Most immediately accessible and engaging, however, is the small display of caricatures, cartoons and illustrations by such artists as Doyle and Burne-Jones, Partridge, Fougasse, and such contemporary entertainers as Osbert Lancaster, Thelwell and Mark Boxer. Taken altogether, it is an absorbing exhibition.

Coincidentally there are two other shows at the Museum that deal with the particular field of the cartoon and the humorous illustration. In Room 38A, just outside the refurbished cafeteria, until February 13, is a small travelling exhibition culled from the Walt Disney Archive in California. Hardly comprehensive, indeed little more than an aperitif, and including frustratingly few original drawings, it marks, nevertheless, a significant shift in our collective attitude towards the work of that remarkable innovator.

There is still a great deal about The World of Walt Disney that is hard to take: the overwhelming sentimentality, especially of so much of the later work, the coy anthropomorphism, and the violence done to children's literature, to Lewis Carroll, to Kipling and Milne—all excusable, even enjoyable, as kitsch indulgence, but only if we care to parade our sophistication.

But then, and here the modern preoccupation with process and technique helps us to distinguish between our responses, we cannot but acknowledge the vitality that also informs the work; and, looking more closely, we must also applaud the astonishing inventiveness, the uninhibited command and enjoyment of drawing for its own sake, that characterise Disney himself, and the artists he brought together to work for him, Iwerts and Gillett, Flobri, Spencer, Lundy, Hurter and so many more. They worked unselfconsciously and at great speed, facing unthought-of technical problems and ever-growing commercial pressures: and they were all so good. Now their individual reputations as artists in their own right may begin to emerge from beneath the suffocating blanket thrown over them by the industry they served.

The other show, in room 132 until March 27, is a substantial review of the work of that hero of the music-loving middle classes the late Gerard Hoffnung. He was certainly a gifted humorist and a talented illustrator of his own ideas—the gallery is full of good jokes: but he was an idiosyncratic rather than original artist, his drawing sitting comfortably in that groove of gentle, affectionate, eccentric surrealism that even then, in the '50s, had been well worn down by better artists, such as Searle and Emmett.

They too had specialised to some extent, but Hoffnung chose to limit himself almost entirely to the world of music and musicians. His reputation rests absolutely upon that choice: he achieved celebrity through it, and never really tested himself outside it. Had he lived, he might have done so, for a set of gouache illustrations suggest that children's books would have given him a suitable field in which to stretch his gentle talent.

Elizabeth Hall

Evelyne Brancart

by DOMINIC GILL

Evelyne Brancart is a 22-year-old pianist from Belgium who made her London debut at the Wigmore Hall last year, and on Sunday her debut on the South Bank. She is an impressively talented young musician who plays with a confidence and authority that quite belie her age. She opened her programme with an ambitious plunge into Prokofiev's Toccata op. 11 — a splendidly sonorous and well-articulated account, taken (like Horowitz's famous performance) at a firm, sensible tempo, and all the more effective for such a steady, unrushed momentum.

Perhaps it would have been a more exciting introduction still if Miss Brancart had seemed to try less hard to make the Toccata sound "musical," but harder to indulge its purely physical aspects, its exuberant, finger-bending bravura. The notes were there, but the presence of the performance—its mood and colour—was cautious, ever so slightly dull. There was a dullness too in her projection of Mozart's C minor Fantasia and sonata (K475 and K457, played together as a pair) that was more a matter of presence than actual tone-colour or sonority. It was a reading of considerable strength, clarity and purpose: but at the same time it lacked really close focus—was weakened at crucial moments by a lack of clear contrast between different voices and accents, by a certain sameness of manner and gesture.

Her best playing came in the first book of Brahms's Paganini Variations the third, for example, breathtaking flash of liquid fire: the fifth, sixth and seventh in sequence, delivered in fine, grand style. Occasionally one missed a broader sense of poise and repose — in the more sensuous variations especially, nos. 4 and 12 and to give the glissandi of no. 13 strictly in tempo is an odd idea and an odd effect. But the notes lie under her fingers superbly well: it is already a remarkable achievement, and a performance, as it matures, of spectacular promise.

Miss Brancart also played *Sonata "In un tempo,"* a work new to this country by a Belgian composer, Fréderic Van Rossum, new to me—a short, agreeably Skryabinesque confection, well conscious of its expressive limits, and maintained securely within them. She has the right technique, and all the right instincts, for grand-romantic music: as she showed in two exceptionally forceful accounts of Liszt's *Ricordanza* and Mephisto Waltz No. 1. As the performances settle, they will no doubt become less brazen, more yielding: less clipped, more luxuriant. Not one of the hurdles of the Mephisto Waltz was sidestepped even a fraction of an inch; only the very grandest romantic bets were hedged—and not necessarily the loudest, but more often the quietest texture, the sighing voice, among all the glittering argument.

New British musical for Her Majesty's

Fire Angel, a new large-scale musical, will open at Her Majesty's Theatre on March 24. It is freely adapted from *The Merchant of Venice*, though the list of dramatis personae hardly suggests this—Barach, Deborah, Mama Doc, Bobby and Diarrhoea Dave are among the characters. The scene is the Mafia-controlled "Little Italy" area of New York. The composer is Roger Haynes, the lyrics are by Paul Bentley. Johanna Bryant is the designer, Braham Murray will direct.

Ipi-Tombi will transfer to the Cambridge on March 16.

Round House

Flowers

by B. A. YOUNG

Lindsay Kemp's *Flowers* isn't much changed from its former look at the Regent. There is more room on the stage of the Round House, though the company doesn't take as much advantage of it as it might. There are some lighting effects not possible behind a proscenium. Rather less male flesh is displayed bare.

But in general the piece remains the same, a series of scenes emotionally extracted from recollections of Genet's *Notre Dame des Fleurs*, presented in a medium that is something less than dancing and something less than acting—*tableaux vivants* is perhaps the only expression for them. The themes, as with Genet, deal with despair and destruction treated as matters for exultation. We begin with a stylised masturbation scene and move on through murder, seduction (homosexual, of course), heartbreak and death.

There are some pretty scenes—I loved the "ladies" with their wet umbrellas, even if they did turn into ogres a moment later and massacre a harmless abbé—but on the whole I find the work common and empty. Mr. Kemp, whom I know to be a good actor and who may be a good dancer as well for all I know, trails through his scenes so languidly that one longs for the inevitable end before he is half-way through for no tension results from their slowness. He allows himself a single line of dialogue ("Bring me a pot of your finest China tea, my man") which must have special significance for him, for he has stuck firmly to it ever since I first saw *Flowers* in Edinburgh some ten years ago, though it triggers no special effect.

Mr. Kemp has his fans, however, always ready to applaud quite ordinary routines as if they were something unique. I suppose they are mostly too young to remember not dissimilar work from the post-war drag companies like Soldiers in Skirts who might possibly have done the three cabaret dancers rather better.

St. John's, Smith Square

Edward Cowie

by PAUL GRIFFITHS

The composer Edward Cowie, born in 1943, has perhaps made most stir so far with his orchestral piece *Leviathan*, which was played at the 1975 Proms. That piece I have not heard, but I have been impressed by several of his works on a smaller canvas—not an inappropriate word for music which shows a painterly feel for light and shade, shape and colour. Cowie is in fact a painter as well as a composer, and from what I have seen of his pictures, they closely resemble his music in feeling. In both arts h's principal subject is nature, particularly the landscape and bird life of Lancashire, where he now has his home.

Four new musical essays in nature study by him were introduced at last night's concert by the BBC Singers under John Poole. The four are evocations of places in Lancashire, each set in a different season, and the cycle has the title *Gesangbuch* in homage to Goethe, whose biological writings Cowie admits as an influence. Tippett should perhaps be cited as another, since he is the work's dedicatee, but it would be misleading to suggest that there is any similarity in style between the two composers: nor, indeed, does Cowie owe anything to an earlier English pastoral school.

The closest parallel is rather with Messiaen and, as one might expect in a work for unaccompanied voices, in particular with that composer's choral *Cinq rechants*. Cowie shares Messiaen's interest in bird songs, his desire to transcribe into music the features of a natural habitat and, on occasion his rhythmic and modal preferences. In general, however Cowie's music is in all respects more rarified. The difference may merely be that between the Lancashire moors and the Loire valley, but it is enough to guarantee him individuality.

Gesangbuch, which also exists in an earlier version for chorus with instruments, shows that individuality well. It would be pointless for me to translate into prose the natural sights and sounds which Cowie describes so well in tone, word and vocal gesture, and in the little sketches which adorn his scores: it is enough to note that these four musical watercolours are pretty and cooly entrancing. They are, however, no more than delicate impressions, and for anything stronger, one must await the piano concerto and the opera on which Cowie is now working.

Before *Gesangbuch* the BBC Singers gave stirring accounts of Brahms's Three Motets Op. 110 and a generously shaped performance of Tallis's *Lamentations*. The concert was recorded for future broadcast.

U.S. offers Nato cash boost

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, Jan. 24.

THE CARTER administration would be prepared to step up U.S. financial support to Nato, beyond future increases already scheduled, if the European members of the alliance also agreed to enlarge their contributions, the new U.S. Vice President, Mr. Walter Mondale, said to-day.

At a *news conference after a* private meeting with the Secretary-General, Mr. Joseph Luns, and Nato ambassadors here, Mr. Mondale made it clear that the U.S. saw the proposal as a step towards improving the alliance's military effectiveness in the face of the growing Soviet build-up in Eastern Europe within the past few years and rising Soviet arms expenditures.

He indicated that the proposed increase should be used to improve Nato weaponry and hardware, but not to increase U.S. troop levels in Europe. He maintained that the U.S. could find the extra money for Nato, while also carrying out President Carter's pledge to trim the U.S. defence budget, by promoting greater efficiency in its military programmes.

Although the Nato ambassadors generally expressed pleasure at the tone of their discussions with Mr. Mondale, there was no immediate indication of which, if any, European Nato members would be prepared to go along with the American offer. It is likely to receive a cool response from Britain, at least, when Mr. Mondale visits London later this week.

The U.S. Vice-President also revealed that the U.S. Secretary of State, Mr. Cyrus Vance, is planning to announce a new series of proposals designed to encourage a solution to the situation in Cyprus, though he declined to indicate what these would be.

Senate report Next page

Later, before flying to Bonn for talks with West German leaders, Mr. Mondale spoke to President Carter by telephone for about 30 minutes. He said there was no special reason for the call, that he just was responding to the President's request.

Earlier to-day, the first day of his whirlwind tour of six European capitals and Japan, Mr. Mondale held a wide-ranging discussion of the international economic outlook, trade relations, energy policy, and relations between the industrialised and developing worlds, with Mr. Roy Jenkins, the President of the EEC Commission, and his colleagues.

The meeting produced no specific decisions though there was agreement on both the U.S. and the European sides on the need to ensure a continuation of the world economic recovery without re-igniting inflation. In this respect, Mr. Jenkins gave a cautious endorsement to President Carter's $30bn. reflationary programme, *describing it as a* "good stimulatory beginning."

Mr. Mondale said that it was generally agreed that prudent economic stimulus, combined with progress in the forthcoming multilateral trade negotiations in GATT, was the best formula for averting the threat of an outbreak of protectionist policies. He added that he expected the planned summit of the largest Western industrialised nations, at which this question would be discussed more fully, to be held before summer.

According to M. Leo Tindemans, the Belgian Prime Minister, who met Mr. Mondale earlier to-day, the U.S. Vice-President also suggested that the summit's agenda might be broadened to include non-economic topics.

Mr. Mondale brought with him a personal invitation from President Carter to Mr. Jenkins *to* visit Washington. No date for the visit has been set, but a Commission spokesman said that it would probably take place before summer.

In assessing the state of the Nato alliance, Mr. Mondale said that the U.S. was also keen to promote improvements in such areas as stocking, supplies and *troop deployment.*

● Vice President Mondale's trip to West Germany offered no threat to the Brazilian-West German nuclear agreement, the president of Nuclebras, Brazil's nuclear development agency, claimed to-day, UPI reports from Rio de Janeiro.

Questioned on a reported offer from the U.S. State Department to guarantee nuclear fuel supplies to Brazil if it would drop two parts of the West German deal—the construction of a uranium enrichment plant and the reprocessing of spent fuel—Sr. Nogueira Batista said he knew of no change in the $4.7bn. deal which would give Brazil full fuel cycle capabilities.

More Turkish troops to quit Cyprus

A thousand Turkish soldiers are being withdrawn from northern Cyprus to the mainland, writes our Ankara correspondent. With the withdrawal of the "gendar*marie commandos,*" the number of troops recalled from Cyprus since the 1974 war will have reached 13,000, according to the general staff headquarters. It is believed that some 25,000 Turkish troops are still based in northern Cyprus.

Non-Swiss decline

The number of foreigners resident in Switzerland fell for the third year *running* in 1976, *reaching* a level of 958,599 at the end of the year, or the lowest total since 1969, writes our Geneva correspondent. The 5.3 per cent. decline in the foreign population brought the percentage of foreign citizens in the total resident population down from 16.1 to 15.3 per cent.

● Swiss foreign exchange reserves fell Sw.Frs.1.17bn. to Sw.Frs.14.64bn. in the week ended January 21, the National Bank said, according to Reuter.

Danish jobless

Unemployment in Denmark rose substantially *in* December to involve 8.1 per cent. of the total working force, the Bureau of Statistics announced yesterday, AP-DJ reports from Copenhagen.

Greek wages

Minimum wages in Greece could be increased by about 15 per cent. this year, writes our Athens correspondent. During negotiations which began on Friday, the *General Confederation of Labour* asked for a 22 per cent. increase. The Federation of Greek Industries is offering 12 per cent.

Lira steady as Italy eases curbs

BY DOMINICK J. COYLE

ROME, Jan. 24.

A FURTHER half-point reduction to-day in Italy's temporary surcharge on foreign exchange transactions was greeted calmly in the market where the lira closed virtually unchanged against the U.S. dollar. Trading was described as "normal for this abnormal period" and no significant support intervention by the Bank of Italy was reported.

Dealers, however, stressed that the market is still subject to myriad restrictions, including the continuing but reduced import deposit scheme, and said it will be another month at least before the lira has to withstand normal market forces. The surcharge will be eliminated by the middle of next month, and import deposits are due to end *in April.*

The minority Christian Democrat Government of Sig. Giulio Andreotti is hoping that meanwhile labour and management will have reached a compromise agreement on *incomes policy* that will satisfy the requirements on the International Monetary Fund (IMF) for a further Italian drawing of $530m. This long-awaited IMF loan, under negotiation for almost a year, is expected to be followed by a new loan facility through the EEC and possibly an additional multilateral aid package, all designed to bolster the lira.

A key element in all of this is the resumed talks here tomorrow between industry leaders in Confindustria and the country's three trade union confederations. Sig. Andreotti would prefer this bilateral forum to produce an agreement, but the Government may be forced to intervene to secure an early agreement.

The Socialists, meanwhile, *show signs of wanting to disturb the relative political calm since Sig. Andreotti's* Government came to office after the inconclusive general election last year. The Socialists, ranked *third behind the Christian* Democrats and the Communists, are yet again exposing publicly their own internal disputes.

The frustration of being out of Government and virtually sandwiched between the Christian Democrats and the Communists is showing through. One faction appears anxious to try to re-enter Government with the Christian Democrats in *another centre-left coalition.* However, since it was the Socialists' abrupt withdrawal from just such a coalition that brought on last year's premature general election, Sig. Andreotti *may want to think long and hard* before agreeing to another such venture.

● Italy's cost-of-living index rose 21.3 per cent. between *November, 1975, and November,* 1976, the Government said today, UPI reports from Rome. The index rose 2.2 per cent. between October and November, 1976, *alone.*

Wider EEC debate on transport urged

BY DAVID BUCHAN

BRUSSELS, Jan 24

THE NEW British president of the EEC Transport Council, Mr. William Rodgers, today urged members of the European Parliament transport committee not to "lose sight of the wood for the trees" and called for far more sweeping debate of general European transport issues.

Mr. Rodgers, the U.K. Transport Secretary, was laying out the broad outline of transport policy under the British presidency for the next six months. At the same meeting the new Commissioner for EEC Transport Affairs, Mr. Richard Burke, of Ireland, also made his first public debut.

It was Mr. Rodgers' particular hope that under the British presidency two issues would be disposed of: the "rounding off" of a package of harmonised standards for cars, and the social and environmental standards on heavy lorries. The latter issue involves the contentious matters of heavier lorry weights, and the tachograph or "spy in the cab." Britain and Ireland have so far refused to introduce tachographs, and Mr. Burke *made it clear that "the Commis*sion is bound to make Governments honour their commitments in this regard."

Qualified confidence in IFO survey

By Adrian Dicks

BONN, Jan. 24.

CONFIDENCE IN West German manufacturing industry once again improved last month, *but was heavily qualified* by doubts about how long the business climate will remain satisfactory, according to the latest survey of companies carried out by the IFO economic *research institute* of Munich last month.

The IFO report reaches this conclusion in spite of the slight downward trend of production and order figures during December, which the institute ascribes as no more than seasonal. After correction, it concludes that the average order book for manufacturing industry, of 2.8 working months, was unchanged from the level in September.

A majority of companies responding to the survey judged present business conditions to be satisfactory, but the weight of opinion was no less strong in predicting a deterioration during the first half of this year. There was also profound scepticism expressed about the chances of any further push towards increased production during the coming three months.

Among the broad sectors into which the IFO test divides up West German industry, the capital goods industries almost exactly mirrored this overall picture, with an average order book of 4.6 months unchanged since September and, at the same time, a slight improvement in new orders between November and December. The electrical engineering industry, in particular, aftr several months of pessimistic responses, judged the current situation to be "clearly less unfavourable"—though it did not expect this situation to endure.

The machinery and machine tool industry, too, gave a slightly more hopeful answer last mont' to the question on the general state of business, although it reported that the order book situation remained unsatisfactory.

Office and data equipment manufacturers, who have consistently been among the optimists, once again said they were planning further in*creases in production during* the first quarter. Commercial vehicle builders, however, have seen a slowdown in new orders (as has already become apparent from new registration figures).

Private car manufacturers, who are classed under consumer durable industries, once again saw an increase in order books and currently have 5.6 months' work in hand—a new record level. There was also a slight improvement for producers of electrical consumer durables, though no major sales gains are expected in the next few months.

THE PARIS MAYORAL ELECTION

Chirac's gauntlet

BY ROBERT MAUTHNER IN PARIS

THE DECISION by M. Jacques Chirac, the former Prime Minister, to run *for* the new post of Mayor of Paris against an officially designated Government candidate has once again underlined the chronic weakness of President Giscard d'Estaing's coalition Government. All the President's efforts to underline the "pluralistic" nature of the coalition and his public espousal of the philosophy that agreement on fundamentals does not necessarily oblige the *coalition* partners to agree on every aspect of Government policy have proved fruitless. As a result of M. Chirac's move, the Gaullist-centrist coalition is as divided to-day as it was when he presented his dramatic resignation as Prime Minister last summer.

It would doubtless be unfair *to* present M. Chirac's step as being entirely motivated by personal ambition. While he certainly wants to become President of the republic one day, he is also sincerely concerned about *preventing the Socialist-Com*munist union of the Left from winning the municipal elections next March and the general election in the following spring. And, at the same time, he is *determined to preserve the* Gaullist Party as the major political force *in* the country.

To accuse him, as several Giscardian political leaders have done, of wanting to undermine *the French constitution or* to scuttle Prime Minister Raymond Barre's economic stabilisation plan is clearly excessive. But he has laid himself open to such charges by the striking contradictions inherent in his policies and his successive *theatrical* coups.

M. Chirac has repeatedly claimed that none of his spectacular moves over the last seven months or so was intended as an attack against M. Giscard d'Estaing personally, or even less on his position as President of the Republic and the supreme power in the land. Yet everything he has done has implied strong criticism of the President and his policies.

When he resigned last July, he gave as his reasons that he had *not been given enough power to* co-ordinate the policies of the coalition parties and to prepare them for the forthcoming elections. When M. Chirac created last month what he hopes will *become a rejuvenated Gaullist* Party and was triumphantly elected as its leader, he again argued that his principal motive was to provide a disorganised coalition with a spearhead to defeat the Left.

Last week, a similar explanation was forthcoming for his surprise decision to put forward his candidature for the position of Paris Mayor. The Government candidate, M. Michel d'Ornano, the Minister of Industry and a member of President Giscard d'Estaing's old party, the Independent Republicans, did not have the necessary stature to carry the Capital against an onslaught by the Left.

As always in politics, these official explanations tell only half the story. The other half is the *sad tale of the rivalry that has* existed between the Gaullists, still the biggest group in Parliament, and the parties supporting the President since the early days of the two-and-a-half-year-*old Giscard administration.* The "advanced liberal society" and its less nationalistic foreign policies have never been to the taste of the Gaullists, who have merely waited for the propitious moment to show their disapproval and independence.

That rivalry has now become so acute that the least incident can spark off a clash between the Gaullists and the Centre parties, and the question of who will govern Paris is hardly a minor one. "Paris is not a city," Victor Hugo once said, "it is a Government." His statement is all the more valid since the adoption in 1975, on President Giscard's initiative, of a law which will give Paris a fully-fledged Mayor for the first time for more than a century.

During the past 100 years, the city council has been no more than a rubber-stamp organisation for Government decisions, without any real financial control, and the real power has been in the hands of two government representatives, the *Prefect* of Paris and the Prefect of Police.

The new Mayor of Paris, however, will be a very powerful person indeed. His council will have a budget of Frs.7bn. (about £820m.) and 35,000 civil servants to administer and will have the power to levy local taxes. The stakes are therefore high and it is hardly surprising that M. Chirac sees the job of Mayor as a good springboard for his future political career.

Yet when all is said and done, M. Chirac might not have embarked on his latest venture, if the Government had not dealt with the problem of drawing up joint coalition lists of candidates for the municipal elections in Paris *in such a ham-handed way.* The capital is a Gaullist stronghold. As many as 35 of the 90 outgoing councillors are Gaullists, and several of them are very prominent members of the *party.*

The Gaullists, therefore, claimed with some justification that one of their own number should have been chosen as the prospective coalition candidate *for the Mayor's post. They* also strongly resented the fact that M. d'Ornano, once he had been nominated, parachuted several leading Independent Republicans and Centre candidates into constituencies held by Gaullists for many years.

What upset them most, however, was the way that the candidature of M. d'Ornano was imposed upon them. The proliferation of Gaullist and Independent Republican candidates for Mayor was so great that M. Barre was called upon to mediate, under an arbitration procedure *apparently agreed* on by the *coalition parties for the muni*cipal elections as a whole. After consulting President Giscard, M. Barre chose M. d'Ornano, without any further palavers with *the Gaullists.*

If M. Chirac's decision to run for Mayor is seen by most observers as a direct challenge to the President's authority, the choice of M d'Ornano was cer*tainly considered by the Gaul*lists, and M. Chirac in particular, as an attempt to undermine their own well-established position in the capital. President Giscard was trying to score a point off them after all the setbacks he had suffered at their hands. If they did not fight back, they would lose the momentum they had built up at recent by-elections and through the election of M. Chirac as leader of the new RPR Party.

Indeed, the danger of losing momentum before the municipal elections and the general election due early next year, is now one of the Gaullists' main problems. Having agreed in principle to vote for parliamentary ratification of direct elections to the European Parliament, there are now few remaining issues on which they can credibly challenge the Government and thus keep themselves in the centre of the stage for the next year.

After a bad spell lasting several months, during which everything went wrong for President Giscard and the Government, the tide began to turn at the beginning of this year with an improvement, however tentative, of the economic situation. If M. Barre succeeds in bringing inflation under control by the middle of this year without a further increase in unemployment, as he has promised, President Giscard and his supporters might well see their popularity rise again.

In theory, M. Chirac should welcome such a development, since it would strengthen the coalition in its fight against the Left. But, in practice, the corollary could be a weakening of public support for his own movement. "*The battle for Paris*" is, therefore, something of a godsend for M. Chirac, since it will enable him to remain in the public eye continuously for at least two months.

There can be no doubt that if M. Chirac's gamble comes off—as it has a fair chance of doing, given his party's strength in the capital — it will represent a famous victory for the Gaullists, *which must improve their own* prospects in the next year's general election, and a crushing defeat for M. Giscard d'Estaing. The big question-mark, however, is whether the growing popularity of the Left, which stands *to win more support* as a result of the coalition's internal quarrels will not rob him of his prize.

The trouble with M. Chirac's tactics is that they could well be self-defeating. While proclaiming to the world that he is its only saviour, as he regularly does, he could bring the whole house of cards down on both his own head and that of the anti-Left coalition.

In anticipation of the outcome of the elections for the Paris City Council, M. Chirac will find little solace in studying the his*torical precedents.* Previous Mayors of the capital have not had a very happy time. The first was guillotined, the second devoured by wolves and the others, with the notable *exception of Jules Ferry,* who secularised France's education system but held on to his post for only four months, have been forgotten.

Demonstrators opposing Government anti-inflation plans shouted down Prime Minister Raymond Barre when he toured Central France yesterday, Reuter reports from Orleans. The incident coincided with the start of a week of protests, to include strikes, against his plans to hold down prices and peg wage increases to the rise in living costs. M. Barre tried to speak to the demonstrators, members of the Communist-led CGT trade union grouping, but his voice was drowned by slogans.

Daoud 'willing to be tried' in W. Germany

BONN, Jan. 24.

ABU DAOUD, *the representative of the Palestine Liberation Organisation who was released after arrest in Paris this month, is willing to be tried in West Germany on charges that he helped to organise the massacre of Israeli athletes at the Munich Olympic Games in 1972. This was stated here, in an interview published to-day by Abdullah Frangi, the PLO representative in Bonn.*

Mr. Frangi told the West German magazine Der Spiegel that West Germany merely had to ask the PLO to extradite Daoud. He made the offer on his arrival in Algiers after being released in France despite West Germany's announced intention to ask for his extradition.

Mr Frangi said that Daoud was not involved in the 1972 Munich massacre by the Black September Palestinian guerilla group.

UPI

Poniatowski attack sharpens controversy

BY OUR OWN CORRESPONDENT

PARIS, Jan. 24.

THE BITTER controversy between the French coalition of parties over the decision by M. Jacques Chirac to run for Mayor of Paris intensified over the week-end with a sharp attack on the former Prime Minister by M. Michel Poniatowski, the Minister of the Interior.

M. Poniatowski accused M. Chirac of dividing the Government coalition and said that the latter had presented the Socialist-Communist Opposition in Paris with a trump card.

M. Chirac could not expect to be taken seriously when he claimed that his candidature was necessary to prevent the Opposi*tion from winning the forthcom*ing municipal elections in the capital. M. Poniatowski said. The Opposition originally had no chance of winning these elections. But M. Chirac had now given it such a chance.

Meanwhile, M. Chirac has poured fuel on the fire by suggesting in a radio interview that President Giscard could have to resign if the Left won next year's general election. A victory of the Left would provoke a major political and constitutional crisis M. Chirac claimed, and he did not see how the President, who had been elected *on a completely different politi*cal platform could carry on in such circumstances.

M. Giscard d'Estaing, himself, on the other hand, has always insisted that he would see out his term of office, which ends in 1981, whatever the result of the 1978 election.

● Speaking to the French community in Riyadh to-day, the visiting French President accused M. Chirac of splitting France's Government majority for personal ambition by running for Mayor of Paris, Reuter reports.

Atlantic islands at variance with Portugal

BY OUR OWN CORRESPONDENT

LISBON, Jan. 24.

SEPARATIST RIOTS in Portugal's Atlantic archipelagos of Madeira and the Azores have spotlighted ambiguous relationships between Lisbon and the islands.

Superficially, the riots were a protest against the Lisbon Government's decision on January 20 to raise the price of petrol by 20 per cent., but the car is far from omnipresent in the islands: fuel and diesel oil for public transport is much more important—and their price is unchanged.

In Funchal, capital of Madeira, and Ponta Delgada, capital of the Azores, crowds marched on palaces occupied by Lisbon-appointed Ministers of the republic, shouting separatist slogans. In Ponta Delgada a mob invaded the palace gardens, tried to force doors and windows and hoisted the separatist flag before police intervened.

The Azores regional government issued a communique deploring the incident and voicing its support for the Minister of the republic.

However, the regional governments of Madeira and the Azores also indicated that for the moment they would maintain petrol prices at the old rate—despite Lisbon's insistence that the new price applies to all Portuguese territory.

The 1976 Portuguese constitution made Madeira and the Azores "autonomous regions with their own politico-administrative statutes." The islands have been empowered to raise tariffs and duties, keeping 95 per cent. of the revenue for themselves.

In the election last June for the first regional assemblies and regional governments, the social democrat PSD/PPD won 54 per cent. of the votes in the Azores and 60 per cent. in Madeira—taking overall control.

The island's PSD/PPD is considerably more conservative than its mainland counterpart—but keeps a careful distance from the FLA (Azores Liberation Front) and FLAMA (Madeira Liberation Front) which enjoy some support among middle-class islanders.

Liberation Front attitudes are ambiguous: they appear to call for independence while maintaining preferential ties with the "motherland." They claim to eschew violence yet encourage riots, sporadic bomb attacks, raids on military barracks (to raise liberation movement flags) and hostile receptions to visiting Lisbon officials.

The Azores and Madeira have been neglected by the mainland for hundreds of years. Inhabitants of both archipelagos sought salvation elsewhere, emigrating en masse to North America, Brazil or Portugal's former African colonies. The Azorean colonies in Canada and the U.S. now total 1m.—three times the population of the islands.

The 10 island Azores archipelago possesses fertile volcanic soil, with good grazing land and crops of pineapples, citrus and tobacco.

Inter-island transport is bad: smaller islands wait weeks for *supplies of fuel and food if boats* cannot anchor in bad weather. Air transport is no alternative — the island of Faial has been waiting for an airport for 33 years.

The main tourists are emigrants returning for holidays. Until inter-island transport improves, and until the transatlantic airport on Santa Maria is modernised, the foreign visitor will find it difficult to enjoy the great natural beauty of the Azores.

Private American businessmen are showing a marked interest in the potential of the Azores for geothermal energy. Furthermore, Azorean colonies in Canada and the U.S. would like their homeland's attention to focus on America rather than a Portugal treading the road to socialism which conservative emigrants deplore. Observers are aware that emigrant colonies are *giving moral and financial support to the FLA.*

The U.S. Air Force base of Lajes on Terceira island in the Azores, used to refuel medium-range jets, is a bone of contention between the Azores and the central Government, which still handles Azorean foreign affairs. *Leasing arrangements are due* for renegotiation and many leading Azoreans want exclusive bargaining powers without reference to Lisbon.

Madeira's greatest assets are its wine and tourism. The island exports 4m. litres of cooking or table wine to Europe, the U.S. and Japan. There are good hotels, a gentle climate and lush scenery which attract scores of foreign tourists who in the last two and a half years have tended to avoid Portugal's mainland. Many prominent Madeirans would like to turn the island into a free port, like the Canary Islands, and this is said to be one of the main aims of FLAMA.

Many observers wonder why Portugal does not let the Atlantic islands totally fend for themselves and sever all ties if this is what is wanted—thus avoiding further outbreaks of violence or defiance. The moment, however, does not seem right for such a drastic break. Whatever the political irritations of the time, may be.

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SALT 'would not avoid' Cruise, Backfire issues

BY DAVID BELL WASHINGTON, Jan. 24.

MR. CYRUS VANCE, the U.S. Secretary of State, moved this afternoon to clarify remarks made by President Carter in the course of a long interview during which he called for an immediate end to all nuclear testing and said he expects a new strategic arms agreement fairly soon.

There was some confusion after Mr. Carter told four news agency reporters that a new SALT agreement, on the lines of that outlined at Vladivostock, was one of his major priorities. Asked about the U.S. Cruise missile and the Soviet Backfire bomber, which are widely believed to be the two major obstacles in the way of such an agreement, Mr. Carter said: "I would not let those two items stand in the way of some agreement."

Mr. Vance said to-day that this did not mean the two weapons would be left aside until later. "That is not correct. The questions of Cruise and Backfire are still very much open for discussion in the SALT II talks," he said.

The U.S. has asserted that the Backfire is a strategic weapon because it can reach the United States carrying nuclear weapons. The Russians have counter claimed that the Cruise missile is also clearly a strategic weapon unless its range can be restricted. The Cruise is a long-range low-flying bomb which is small enough to evade detection and can be launched from aircraft or submarines. Final development is now underway but the missile has yet to go into production.

In its last few days the Ford administration dropped a number of hints that a way might be found to get round the Cruise question and Mr. Carter said today that he will shortly appoint a senior official to negotiate the details of the SALT question. He may combine this with a post as director of the Arms Control and disarmament Agency (ACDA).

The President disclosed during his interview that he has asked the Soviet Union to join the U.S. in halting "instantly and completely" all nuclear testing as the first step in his ambitious programme to curb the spread of nuclear weapons.

He said that the Russians had sent him an "encouraging message" about his proposal and that he wanted to move "quickly and aggressively" to reach agreement with the Soviet Union both about atomic tests and about the mutual reduction of atomic stockpiles. But he said he did not know if the Russians would be prepared to agree to a complete halt even of underground testing.

Mr. Carter said that his Administration would not suspend current arms supply contracts to other nations but would be very much more wary about approving them in the future. He also said he thinks a Middle East conference is likely later this year and that although the question of Palestinian participation has not been discussed within the Administration, it was probable that the Palestinians would be represented as "part of one of the Arab delegations."

He also confirmed reports that Mr. Vance will leave for the Middle East next month and meet the heads of State of Israel, Egypt, Syria, Saudia Arabia and Jordan. Any of these leaders, he said, would be invited to Washington later this year.

● The White House also announced this afternoon that the President of Mexico and the Prime Minister of Canada are to be the first two foreign leaders to visit Mr. Carter in Washington.

Senators call for stronger Nato

BY OUR OWN CORRESPONDENT WASHINGTON, Jan. 24.

DESCRIBING Nato's southern flank as a "shambles" and its northern flank as "little better," two influential U.S. senators called to-day for a greater U.S. commitment to Nato and the modernisation, improvement and re-positioning of the alliance's ground forces.

Senators Sam Nunn and Dewey Bartless, of the Armed Services Committee, issued a detailed report this morning on what they claim are the major shortcomings inside the alliance that they discovered on their trip to Europe last year.

Their report charges that Nato is not properly organised to meet a sudden invasion by Warsaw Pact forces in central Europe and says that the Pact's forces have the capacity to launch such an attack following their re-equipment and enlargement during the past few years.

The senators say that it appears that the Warsaw Pact is well aware of the political and military weaknesses within the Alliance which might impede a rapid Nato response to aggression and has tailored its strategy "to exploit fully the very weaknesses in Nato's conventional posture which have always plagued the Alliance. In addition the Alliance's southern flank has been gravely weakened, they say, by Italy's economic problems and dissention between Greece and Turkey. In the north neither Norway nor Denmark as yet appears to be predisposed to take the initiative necessary to improve the situation."

The report calls on the Pentagon and the Alliance to expect a much shorter period of advance warning of a Pact attack than envisaged in current plans. It also calls on the Alliance to reconsider its strategy of keeping much of its forces deep behind the West German border and says that sufficient forces should be deployed near the border to force Pact planners "to deploy for a major battle before they enter Nato territory."

The senators also call for a "quantum jump" in Alliance fire power and urge a major increase in Nato artillery, anti-tank and anti-aircraft defence system strength. Selected U.S. and European units should at the same time be "repositioned eastwards" to their "assigned war-time positions," and Nato should improve its air transport capability so that U.S. and British reinforcements could be air-lifted to central Europe much more rapidly than currently planned.

The release of this report coincides with U.S. Vice-President Mondale's visit to Europe and with growing concern inside and outside the Senate about Soviet and Warsaw Pact military intentions. U.S. President Carter spoke often during his election campaign of the need to improve U.S. ties with the Alliance, but senators are waiting to see concrete signs of this commitment.

Levesque seeks U.S. investors' support

MONTREAL, Jan. 24

THE QUEBEC Premier, Mr. Rene Levesque, flew to the U.S. to-day to address the Economic Club of New York.

Two months after a tide of nationalism brought his Parti Quebecois to power in the province, Mr. Levesque is confronted with the ironic fact that in order to carry out his commitment to make Quebec independent of Canada, he must first convince the U.S. investment community of the stability of the province.

Much of Quebec's industrial base is dependent on U.S. businessmen and investors. The French Canadians realise that these U.S. interests are wary of Mr. Leveque's policies, in particular the possible takeover of U.S.-controlled companies.

Mr. Levesque, who is placing great importance on his appearance before the Economic Club audience, is accompanied by three top Cabinet Ministers, including Finance Minister Jacques Parizeau and Energy Minister Guy Jorn, a former stockbroker. Also in the delegation are a deputy Finance Minister and four senior executives of the Government-owned electric utility, Hydro-Quebec, a major borrower in the U.S.

While in New York, Mr. Levesque and his Ministers will also spend a good deal of time in private meetings with financial and business executives. The Premier will try to convince them that his brand of socialism does not include the immediate provincial takeover of key industries in which U.S. companies have a major investment.

Quebec needs U.S. investors. In 1972, the latest available figures show, close to 30 per cent. of the province's $15.09bn. of manufacturing shipments came from U.S.-controlled companies, as well as nearly 25 per cent. of manufacturing jobs.

AP-DJ

MEXICAN OIL POLITICS

The headache is just beginning

BY ALAN RIDING IN MEXICO

MEXICO'S economic crisis is forcing the new Government of President José Lopéz Portillo drastically to speed up the exploitation of the country's oil reserves. The controversy over whether the reserves should be exploited quickly, or preserved for future generations, has unavoidably been resolved by the need for a rapid increase in exports.

Having grown slowly to average just 106,000 barrels per day last year, exports of crude and refined oil are now scheduled to exceed 1.1m. B/D by the time Sr. López Portillo leaves office in 1982. At current prices, this could mean annual oil revenues of $5bn. within six years, 60 per cent. more than the value of Mexico's total visible exports in 1976.

Succumbing to the pressure to export from foreign creditors was made easier by the recent discovery of new oil deposits in four different regions of the country. In addition, only five of an estimated 180 oil-bearing structures in the south-eastern States of Chiapas and Tabasco have so far been exploited.

The first move of the new head of the State oil monopoly, Pemex, was therefore to raise the estimate of total reserves from the 6,300m. barrels estimate announced last March to 11,000m. barrels.

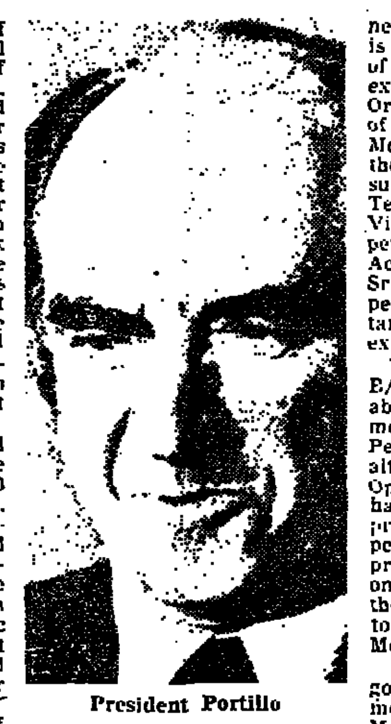
Some observers have suggested cynically that this revision was merely to reassure foreign bankers, who during 1977 will be asked to increase Mexico's foreign debt by a further $3bn., to around $28bn. But both Government and Pemex sources nevertheless insist that the 11,000m. barrels estimate is "highly conservative." Some responsible officials have even privately mentioned estimates five to ten times that size to eliminate all doubts, though, a U.S. firm, Degolyer and MacNaughton Inc., has been brought in to make an independent assessment of Mexico's current reserves.

The rate of exploitation of these reserves, however, will depend on the availability of financing and, more significantly, equipment. Pemex is expected to turn shortly to the Eurodollar market for the first of a series of large new loans for the $15½bn. investment programme it plans during the six-year administration. While foreign banks are beginning to think twice about lending to the Mexican Government, Pemex's credit standing is so high that no serious financial problems are expected. The shortage of oil drilling and development equipment, though, could be a problem as it has been here over the past three years.

Projections for Mexico's oil production by 1982 therefore vary between a low of 1,667,000 B/D and a high of 2,242,000 B/D, depending on financial and technical factors. One additional factor, of course, is the performance of the economy as a whole and of the external sector in particular: continuing economic and payments difficulties might force the Government to channel additional resources from other projects towards Pemex.

As did the administration of former President Luis Echeverría, this Government wants to maximise exports of refined rather than crude oil. But it now recognises that resources will not be available to expand Pemex's refining capacity without massive exports of crude. "We must export crude in order to stop exporting crude," officials are now saying. Refining capacity is nevertheless expected to increase from the present 865,000 B/D to 1,670,000 B/D by 1982—once again depending on financial and technical factors—while an investment of $2,750m. is planned for the primary petrochemical industry, where Pemex also enjoys a monopoly.

But the main emphasis on the new policy will be on finding and producing more crude oil. The priority area remains the



President Portillo

States of Chiapas and Tabasco, where oil was first discovered in May 1972 and which now account for 52 per cent. of total output. Of the estimated 180 oil-bearing structures in the region, about half are off-shore, and exploration of these deposits near the coast of the State of Campeche should result in an output of 118,500 barrels daily by 1982. So far, no dry wells have been drilled in this huge hydrocarbon basin, while 80 per cent. of the wells have proved to be commercially exploitable.

Apart from the traditional "gold belt" of oil reserves around Poza Rica on the Gulf Coast, other important new areas should come into production during this administration. Most encouraging among these are: off-shore at Arenque a Barracuda near the Port of Tampico, which is the continuation south-wes of the continental shelf bein exploited by the U.S. near New Orleans: at Cotaxla, to the south of Veracruz on the Gulf of Mexico: near Nuevo Laredo o the border with the U.S. (pre sumed to be an extension of th Texas fields); and at Sebastia Vizcaino on the barely-prospecte peninsula of Baja California According to Pemex directo Sr. Jorge Diaz Serrano, only 1 per cent. of Mexico's sedimen tary rock areas have so far bee explored.

With exports of barely 100,00 B/D, Mexico has until now bee able to justify its not being member of the Organisation o Petroleum Exporting Countrie although it has always followe Opec prices, and this mont has raised its crude sale price to $12.65 per barrel (1 per cent. higher than OPEC' previous base of $11.50, althou only 2.8 per cent. higher tha the $12.30 B/D at which, thank to cheaper transport cost Mexico had been selling its oil

Mexico nevertheless has tw good reasons not to join OPEC membership would exclud Mexico from the benefits of th trade preferences offered by th 1974 U.S. Trade Act, and pa ticipation in OPEC would inevi ably bring tensions to Mexico' relations with the U.S., as ha been the case for Venezuela.

But with expected produ tion of 2.2m. B/D and possibl exports of 1.1m. B/D within si years, Mexico will clearly b under greater pressure to joi OPEC, above all since most o its exports now go—and wi continue to go—to the U.S.

With the prospect of obtai ing a significant amount of i imported oil from a non-OPE member, on the other han Washington will in turn pu pressure on Mexico to keep ou of the cartel. Thus while th promise of Mexican oil may a last be coming true, the hea aches of world oil politics ar just beginning

Carter pledge of swift action on energy policy

BY STEWART FLEMING NEW YORK, Jan. 24.

AFTER A WEEK-END during which he urged householders to turn down central heating thermostats and save power, Mr. Jimmy Carter, the U.S. President, to-day underlined the high priority he is giving to developing a comprehensive U.S. energy policy.

In an interview he said that within the next 90 days he would submit to Congress wide-ranging proposals aimed at developing a national energy policy.

He also rescinded one of Mr. Gerald Ford's last acts as President by withdrawing a plan to lift price controls on petrol. He made it clear, however, that the decision implied no judgment on petrol price regulation, but rather reflected his decision to conduct a full review of the nation's energy.

Democrats in Congress had suggested that de-regulation could add 6 cents to the price of petrol per gallon, but the Federal Energy Administation had maintained price increases would only be about 2 cents a gallon.

Already President Carter has indicated that the dislocations, particularly in natural gas supplies, caused by the recent cold weather have brought the energy issue to the fore.

Urging domestic users to lower the heating in their houses, he said he may submit to Congress within the next few days proposals to allow natural gas pipelines to divert supplies to areas hard-hit by shortages.

In the past two weeks, plants in many parts of the country have been closed temporarily owing to natural gas shortages. Current estimates suggest almost 200,000 workers are temporarily laid off due to acute gas shortages while lack of heating is keeping about 200,000 choldren out of schools.

Only this morning one gas company, UGI Corporation, said it has told 48 major commercial and industrial companies in Eastern Pennsylvania that their critical use base deliveries of natural gas will be cut by 75 per cent. for the rest of the winter. It said it expected the decision to affect 63,000 jobs in companies which would not readily switch to alternative fuels.

Among the companies affected, UGI named Bethlehem Steel, Aluminium Company of America and Hershey Foods.

In this time the Federal Power Commission has approved several emergency contracts allowing gas utilities to buy natural gas at prices higher than the $1.42 per 1,000 cubic feet maximum price fixed by the agency for newly discovered gas.

Steel imports up 26% in November

NEW YORK, Jan. 24.

THE AMERICAN Institute for Imported Steel reported to-day that U.S. steel imports in November were 1,596,834 short tons, up 26 per cent. from the 1,267,934 short tons imported in October.

U.S. steel exports totalled 186,043 short tons in November, a rise of 1.6 per cent. from October's export total of 183,082 short tons.

Compared with 1975, imports in November rose 76.8 per cent. from 902,900 short tons while exports rose 0.6 per cent. from 184,907 short tons.

For the 11 months ended November 1976, imports totalled 12,920,231 short tons compared with the year-earlier 10,859,675 short tons. Exports for the 11-month period totalled 2,425,300 in 1976 and 2,771,450 in 1975.

AP-DJ

Investment from abroad up in U.S.

NEW YORK, Jan. 24.

FOREIGN companies announced 250 investments in U.S. manufacturing facilities during 1976 compared with 159 in 1975, with a growing share of the investments representing acquisitions, a survey by the Conference Board, shows.

About 43 per cent. of the 1976 investments involved the acquisition of existing U.S. companies, the first year since the survey began nine years ago that a major share of new investments represented takeovers, said the Board, which is a non-profit economic research institute.

About 40 per cent. of last year's investment was spent on building new facilities and 17 per cent. on expanding existing facilities. Canada accounted for 61 foreign investments in U.S. manufacturing last year, followed by West Germany (39), Britain (36), France (25) and Japan (18), the survey said. Capital spending figures were announced by more than half of these companies, amounting to $1.7bn. Reuter

Accountants to check tests of pipeline welds

WASHINGTON, Jan. 24.

PROCEDURES used to test welds on the 800-mile trans-Alaska pipeline will be checked by a public accountant, the U.S. Interior Department said to-day. Last year inspectors found hundreds of faulty welds on the line which had to be repaired.

The Department said it had hired the Lester Witte Company of Chicago to determine if the Alyeska company had an X-ray of every weld on the pipeline between the oilfields on Alaska's north shore and the south shore port of Valdez.

"The audit is being conducted to verify that Alyeska has followed adequate procedures to demonstrate that a radiographic film exists for every weld," a Department statement said.

Alyeska is a consortium of several oil companies involved in building the pipeline. Construction is expected to be finished this summer and the pipeline would then begin carrying up to 2m. gallons of oil a day. Reuter

Guyana seeks Comecon link

By Our Own Correspondent

GEORGETOWN, Jan. 24.

GUYANA has applied for formal association with Comecon, the East Europe economic grouping. A letter to this effect was handed to the Comecon Executive Committee, by Mr. Desmond Hoyte, the Guyana Economic Development Minister, after he addressed the committee's meeting in Havana last week.

OVERSEAS NEWS

Rhodesia uneasy but unmoved

BY OUR OWN CORRESPONDENT

SALISBURY, Jan. 24.

ALTHOUGH there are signs of increasing unease among Rhodesia's 270,000 whites about their future, few will heed to-day's call from Mr. Josiah Chinamano, vice-president of the Nationalist Party led by Mr. Joshua Nkomo, to "assert their position and come out and be counted, before they lose everything they have."

For several weeks, radio and television, effectively Government-controlled, have been preparing the electorate for the breakdown of the Geneva talks, and suggesting that the way out of the resulting political stalemate is internal negotiations with leaders of "thousands of moderate blacks."

Despite the unease, Mr. Ian Smith, the Rhodesian Premier appears to have as much white support as ever. Although the adulation of the period immediately after the unilateral declaration of independence has worn away, there is no real challenge to his leadership. His oft-professed belief that Rhodesia is standing "against the forces of Communism" seems to have been accepted, and it is this factor which makes the conventional analysis of the Rhodesian leader's options, in terms of the guerilla war and the economy, unreliable. Although the four-year-old conflict has intensified and the economy remains depressed, it is doubtful whether, in the short term at least, further deterioration would make Mr. Smith capitulate to Nationalist demands.

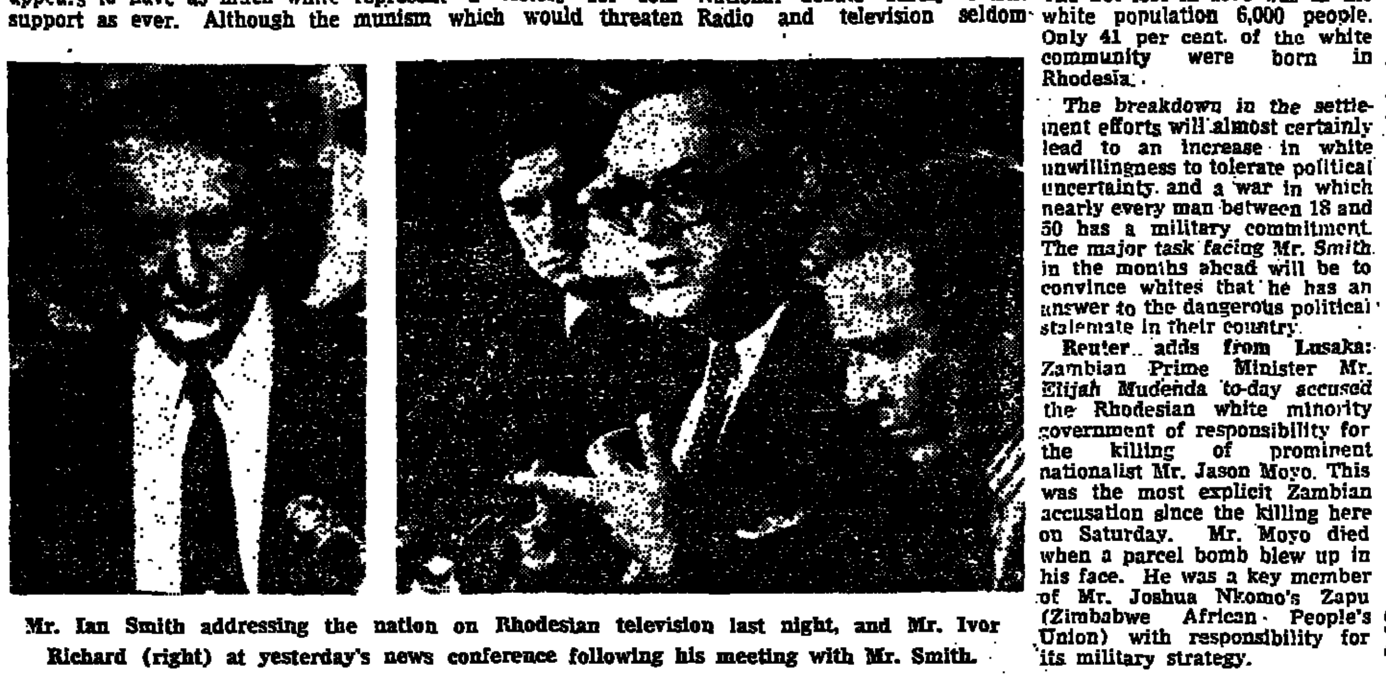
As Mr. Smith sees it, African majority rule in Rhodesia would represent a victory for communism which would threaten not only southern Africa but the west itself. The world would not be worth living in, and therefore it is worth fighting against overwhelming odds while the west comes to its senses, rather than surrendering. Many of the whites who oppose Mr. Smith believe that, when he accepted the Kissinger proposals last September, the premier went as far as was feasible. Consequently, the grouping of white moderate opposition under the national unifying force has negligible support.

It is not surprising, given the foreboding with which most whites treat the prospect of a black government, that there has been little evidence of preparation for the majority rule which was supposedly on its way. National debate barely exists. Radio and television seldom allow dissenting voices. The Rhodesian Press is kept to heel through a government press liaison officer and a D-notice system. Rhodesian business organisations tread so delicately that few marks are left. Their representatives only went ahead with their plan to talk to delegations at the Geneva conference following an indication by government that the presence in Geneva of the five leaders of the private sector would not be objectionable. This scrupulous non-commitment extends to a refusal to advocate publicly even the most urgent of reforms.

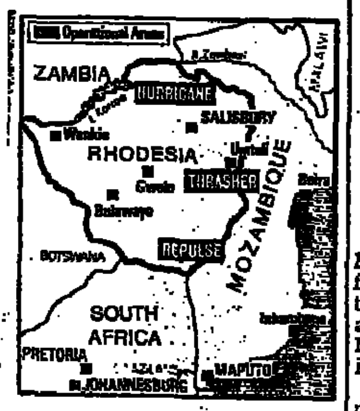
However, white morale is strained. The emigration rate is 1,200 a month, and has not been stemmed by the drastic cut last July in the family emigration allowance from £4,650 to £930. The net loss in 1976 was in the white population 6,000 people. Only 41 per cent. of the white community were born in Rhodesia.

The breakdown in the settlement efforts will almost certainly lead to an increase in white unwillingness to tolerate political uncertainty, and a war in which nearly every man between 18 and 50 has a military commitment. The major task facing Mr. Smith in the months ahead will be to convince whites that he has an answer to the dangerous political stalemate in their country.

Reuter adds from Lusaka: Zambian Prime Minister Mr. Elijah Mudenda to-day accused the Rhodesian white minority government of responsibility for the killing of prominent nationalist Mr. Jason Moyo. This was the most explicit Zambian accusation since the killing here on Saturday. Mr. Moyo died when a parcel bomb blew up in his face. He was a key member of Mr. Joshua Nkomo's Zapu (Zimbabwe African People's Union) with responsibility for its military strategy.



Mr. Ian Smith addressing the nation on Rhodesian television last night, and Mr. Ivor Richard (right) at yesterday's news conference following his meeting with Mr. Smith.



S. African concern at breakdown

By Quentin Peel

CAPE TOWN, Jan. 24.

THE NEWS of the breakdown of the latest British initiative on Rhodesia has been greeted here with concern and some despondency.

Although there has been no official South African reaction—it is possible that Mr. John Vorster, the South African Prime Minister, will make a statement to-morrow—officials have made it clear that they were backing the moves for a peaceful settlement, even if they departed from the original Kissinger package.

But it is understood that there has been no communication between Cape Town and Salisbury over the week-end, and indeed little, if any, contact since Mr. Ivor Richard, British Chairman of the Rhodesia conference, began his shuttle just before the new year.

Suicides in custody 'acting on orders'

JOHANNESBURG, Jan. 24.

PRISONERS who committed suicide in South Africa acted on instructions from the Communist Party to die rather than submit to interrogation, the Justice and Police Minister said in an interview. Asked about the "disturbing" number of suicides among detainees, Mr. James Kruger said that these occurred among hard-core members of the banned African National Congress (ANC). They were fulfilling the instructions of the South African Communist Party, he said.

The independent Institute of Race Relations says that at least 15 prisoners died in police custody last year.

Agencies

Young important in U.S.—Africa deals

BY DAVID BELL

WASHINGTON, Jan. 24.

THE LATEST CRISIS in the Rhodesia negotiations comes only days before the departure for Africa of Mr. Andrew Young, the new U.S. Ambassador to the United Nations, who is likely to be playing an important role regarding Southern Africa. It emerged to-day that Mr. Young will leave for Tanzania and Nigeria on January 31, and will almost certainly take with him a message from the new administration. He has already assembled at the UN a strong team of experts on Africa, including Mr. Don McKinley and Mr. Clyde Ferguson. It is being suggested here that Mr. Carter and Mr. Cyrus Vance, the Secretary of State, may leave much of the detailed negotiation about southern Africa to Mr. Young. Although it is too early to say what message he will convey on his trip, Mr. Carter was particularly careful to-day, in response to a question from a reporter, about his definition of majority rule in southern Africa. The President said, "It means relinquishing the control of government by the white minorities in the countries affected." It is pointed out here that, in saying this, Mr. Carter was deliberately setting himself apart from the Ian Smith definition of majority rule, and at the same time, putting distance between his administration and the five points discussed between Mr. Smith and Dr. Henry Kissinger.

Senior Carter advisers have not been optimistic about the Carter initiative since well before the inauguration. But they seem inclined to await a new British initiative before committing themselves to any new approach. However, the administration will not only do all it can as soon as it is asked, it will in the meantime throw its weight behind the repeal of the Byrd Amendment, under which the U.S. imports Rhodesian chrome in spite of the sanctions imposed against the Smith regime by the U.N.

Senator Dick Clark, the chairman of the Senate African Affairs Sub-committee, called to-day for the repeal of this amendment. He and officials in the State Department believe that repeal would be a signal to Mr. Smith that the U.S. means business, and that he is living in a fool's paradise if he thinks that the U.S. might be prepared to bail him out.

IMF loan to Egypt reported

CAIRO, Jan. 24.

EGYPT and the International Monetary Fund have reached a tentative agreement calling for reform of the Egyptian economy and the extension of IMF loans partly to cover a chronic deficit in the balance of payments, the newspaper Al Ahram said in early editions of to-morrow's issue.

Under the accord, which will be finalised next month, the IMF would extend a $140m. loan to Egypt which, in turn, will carry out "economic stabilisation" this year, the newspaper said, adding that negotiations were continuing on long-term plans for increased IMF assistance amounting to $450m. over the next three years.

The agreement was reached in talks between Mr. Abdel Moneim Kaissouny, Vice-Premier for Economic Affairs, and Mr. John Gunter, director of IMF operations for the Middle East. Mr. Gunter, it said, is paying his second visit to Egypt this month, and will return to Cairo after a visit to Pakistan, which will begin on Wednesday.

The Government had hoped to cut a budgetary deficit from $2.842bn. to $375m., partly by means of food and fuel price rises which were revoked after they led to rioting.

UPI

Gandhi bids for personal mandate in poll decision

BY K. K. SHARMA

NEW DELHI, Jan. 24.

INDIAN PRIME MINISTER Mrs. Indira Gandhi has decided against a simultaneous poll both for Parliament and the State assemblies. The March general election will therefore be confined to voting for the Lok Sabha. This is because Mrs. Gandhi wants to test her personal popularity and elections to State assemblies would confuse issues.

It is now clear that the solitary issue for the election will be Mrs. Gandhi herself and the emergency of the past 18 months. The exception to this will be Kerala, the only State not ruled by Mrs. Gandhi's Congress. Kerala's ministry is headed by a Communist who has been running a coalition with some difficulty for the past six years.

Elections to state assemblies are not due until next year in any case under the amended constitution which has increased their term to six years but this argument applied equally to parliamentary elections and Mrs. Gandhi's decision to confine the poll to the Lok Sabha suggests that she wants first to consolidate her position by obtaining what she hopes will be a popular mandate before turning her attention to the states.

Meanwhile, an ominous crack in the unity of the newly formed opposition Janata Party appeared to-day, when one of its constituent parties, the Jana Sangh, threatened to boycott the coming elections in India.

A Jana Sangh spokesman said after a meeting of the party's executive that the boycott would be considered if the Government failed to fulfil certain conditions, including the release of its leaders and workers and the lifting of the emergency. The Jana Sangh is the main party affected by the emergency since as many as 4,000 of its members are still in jail. If this "package" of conditions" was not accepted, the spokesman said, the election "will then be a farce."

The Janata Party has also sought the release of detainees, and the suspension—not lifting—of the emergency within three days, but it has not made its participation in the election conditional on the satisfaction of these demands.

Mrs. Gandhi's son Sanjay said to-day that voting will probably begin on March 16, according to agency reports. He also said that he may stand for election himself.

● The Indian Government to-night withdrew a relatively heavy import duty on five kinds of edible oil and oilseeds to ensure that the planned big import programme results in lower prices to the consumer. This follows the decision last week to use the mounting foreign exchange reserves to import 400,000 tonnes of edible oil.

The Finance Ministry also announced the exemption from export duty of certain categories of animal feed.

Iran gas export deals

TEHRAN, Jan. 24.

IRAN stands to earn between $18bn. and $22bn. in gas sales to Europe, the U.S. and Japan under two-year contracts concluded so far, National Iranian Gas Company managing director Mr. Taqi Mossadeqi said.

Iran is already selling natural gas to hte USSR and revenue in the six years to June 30, 1976, totalled $600m., he told a three-day symposium in Shiraz. Mr. Mossadeqi said that Iran, with proven gas reserves of 377,000bn. cubic feet, was the world's second richest gas country after the USSR, but explorations under way could nearly double the reserves to more than 503,000bn. cubic feet, he said.

Revenue from a 20-year contract to supply natural gas to West Germany, France, Austria and Czechoslovakia would total $12bn., he added. Work on a pipeline to carry the gas from Iran's southern fields, through the USSR to Western Europe, had not yet begun, he said. The project is scheduled for completion by 1980.

Another 20-year contract had been signed with a Japanese-U.S. consortium to supply gas to Europe, the U.S. and Japan, he said. The annual revenue from the agreement would amount to between $300m. and $500m., or a total of between $6bn. and $10bn. over 20 years.

Reuter

Vietnam base

Comex (Far East), a French marine services company, is sending three officials to Ho Chin Minh City (formerly Saigon) in Vietnam next month to set up an off-shore supply base at Vung Tau, general manager Mr. Fergus Helly told AP-DJ yesterday in Singapore. Comex, which is acting as technical consultants to Vietnam's Oil and Gas Department will soon be opening an office in Ho Chin Minh City.

Saudi oil deal with France

By Our Own Correspondent

JEDDAH, Jan. 24.

PRESIDENT Giscard d'Estaing of France has got most of what he came for on his current visit to Saudi Arabia. The Saudis have agreed to sell to France 292.5m. barrels of oil over the next three years. The agreement, signed to-day in Riyadh, effectively extends a similar Saudi-French deal which expired at the end of last year. The new contract, for about one-third of France's total annual oil import of 110m. tonnes, is attractive to the French because the price of the oil will be adjusted within the scale of official increases.

What M. Giscard has given in return for this preferential treatment is not clear, but it is known that the Saudis are interested in French nuclear technology and arms, especially within the framework of the Arab Armaments Agency, of which Saudi Arabia is a major sponsor.

USSR may try to rival OPEC, Kuwait report

KUWAIT, Jan. 24.

THE KUWAIT newspaper al-Siyasah said that the USSR proposes to set up a rival oil-exporter organisation to the Organisation of Petroleum Exporting Countries. It would bring together progressive oil-exporting countries, the report added.

The newspaper said that Algeria was the first to be approached among Arab States, and Iraq and Libya were also expected to be asked to join the new organisation. Reuter.

David Lascelles, East Europe Correspondent, writes: No confirmation of the report was available from Soviet sources. However, the USSR has made no secret of its dissatisfaction with OPEC as presently constituted. After the recent meeting in Qatar, it attacked OPEC as a U.S.-dominated organisation which was blocking oil producers' legitimate rights to raise oil prices to levels which compensated for "capitalist inflation."

If the Kuwaiti report is correct, the USSR may be trying to capitalise on OPEC's present split over price policy. Although now the world's largest oil producer, the USSR has annual exports to free markets in the region of 70m.-80m. tons, and these are unlikely to increase greatly by 1980. This is roughly the U.K.'s annual consumption. This small market share makes it unlikely that a Soviet-backed counter-OPEC would have much influence on prices.

Israel budget cuts spending on defence

BY OUR OWN CORRESPONDENT

TEL AVIV, Jan. 24.

ISRAEL'S £I122.5bn. ($13.6bn.) draft budget for 1977/78, which provides for the first real defence spending cut in the country's history, goes before the Knesset to-day, where it is expected to meet stiff opposition.

It envisages a 20 per cent. rise in defence spending, which is allocated £I41.5bn. ($4.6bn.) but allowing for inflation this represents a drop of 8 per cent. or more in real terms. Other provisions include a built-in deficit of £I5bn. ($555m.), with maintenance of services and social benefits at current levels, cuts on food subsidies and heavy reliance on fund raising through debenture issues, bank loans and voluntary war loans.

The draft—prepared before the break-up of the Rabin coalition Government and the decision to hold general elections on May 17—has little chance of being adopted. The best the truncated caretaker Government can hope for is the adoption of an interim budget covering the first three or four months of the next fiscal year—to keep the administration afloat until the newly elected Government takes over. Alternatively, the Knesset could keep allocations for the first quarter at the levels provided for under the 1976/77 budget.

UPI adds from Tel Aviv: Former Israeli Foreign Minister, Mr. Abba Eban, formally announced his candidacy to-day for the Labour Party nomination for Prime Minister, pitting himself against Defence Minister Shimon Peres and Prime Minister Yitzhak Rabin. Mr. Eban, who is considered an outsider for the nomination, said he is "realistic" about his chances but added: "Sometimes there are surprises." Political observers have speculated that a deadlock at the Labour Party convention, which opens on February 22, could lead to his nomination.

Our Foreign Staff write: The prospects for peace negotiations between Israel and the Arab states are better this year than at any time since the founding of the state of Israel in 1948, in the view of General Moshe Dayan, former Israeli Defence Minister.

On a private fund-raising visit to London, General Dayan argued that there should be negotiations without preconditions on either side. "Even if we don't trust every word they say," he added. "I for one believe they are after an end to the state of war."

He believed that recent disturbances in Egypt would mean that the Egyptian government would have to reduce its defence budget. "This would be good for Egypt and good for us—very good for us."

WORLD TRADE NEWS

Exporters are in a 'war' for prosperity, says Dell

FINANCIAL TIMES REPORTER

BRITAIN'S EXPORTERS are fighting a war which is the key to the country's influence, power and prosperity, Mr. Edmund Dell, Secretary for Trade, said in London yesterday.

"We compete abroad in world markets with Germany, with America, with Japan. We seek to gain orders that otherwise they would gain. We seek to gain market share at the expense of their market share. International trade is not a love match, it is a war," he told the Institute of Exports. "It is a war which is intended to be fought according to rules, such as those inscribed in the GATT. But the effects of losing out in international trade are like the effects of losing in war, are the decline of influence, the decline of power, as well as the relative decline of prosperity.

Mr. Dell pointed out that last year British exports of goods and services, at more than £37bn., represented something like 34 per cent. of our gross national product, comparable with Germany's performance, and substantially better than that of the U.S., Japan, France or Italy. But we still had a current account balance of payments deficit at the end of last year of £1.5bn. and our performance was not yet good enough because, Mr. Dell said, "(a) we were not moving towards surplus fast enough; (b) what had been achieved was at the expense of a depressed home market and a very high level of unemployment and (c) our share of the world exports of manufactured goods was far less satisfactory than our performance including services as well as goods."

Mr. Dell emphasised the crucial role of the surplus on invisibles in the progress made so far — last year the surplus on invisible items increased by over £500m. to an estimated £2.100bn.

Mr. Dell then urged manufacturers to concentrate on the Community market where, he said, we had managed to hold our share of their total imports steady since joining the Community, and possibly even improved it. The potential for exports in the OPEC countries was now well recognised, but we had not been doing as well as we should within the EEC

"As we were now in very large deficit with the Community, due largely to a shift of our imports of food through the Community, we were entitled to press particularly hard for a larger share of their manufactured imports. I think we are also entitled to make clear to them that where obstacles continue to exist to the development of our highly competitive invisible exports to the Community, obstacles resulting from practices which inhibit free competition in services, they should specially be removed."

U.K. boosts W. German sales

BY GUY HAWTIN

FRANKFURT, Jan. 24.

BRITAIN'S EXPORTS to West Germany were up by 23.1 per cent in the first ten months of last year compared with the same period of 1975. The figures, drawn from the Federal Statistical Office in Wiesbaden, are computed in Deutschemarks and give a far clearer picture of the real trend than those quoting depreciating pounds.

Over the ten months, exports from the U.K. to the Federal Republic were worth DM6.96bn. (£1.69bn. at current exchange rates). This compares with exports of DM5.65bn. (£1.37bn. at the same rate) from January to October of 1975.

The Statistical Office figures, abstracted by the British Embassy commercial staff here, show that during the period U.K. exports grew at a substantially faster rate than those of most of its overseas competitors.

Total West German imports in the ten-month period amounted to DM181.45bn. (£44.04bn.)—20.1 per cent. up on the DM151.04bn. (£36.57bn.) recorded in the comparable period of 1975. U.K. growth rates were also faster than those of West German exports to Britain. These went up by 18.4 per cent. from DM8.4bn. (£2.04bn.) to DM9.95bn. (£24.14bn.) during the ten-month period.

Depressingly, the trade surplus in West Germany's favour widened during the period — from DM2.74bn. to DM2.99bn. At the same time, West Germany's share of the U.K. import market increased from 4.62 per cent. in the first ten months of 1975 to 4.74 per cent. Britain's share of the West German import market went up from 3.74 per cent. to 3.84 per cent.

However, in October it appears that a reversal of the trend may have started. Britain's share of the Federal Republic's import market—worth DM761.6m.—amounted to 3.95 per cent. West Germany's share of the British market—worth DM1.06bn.—fell slightly to 4.65 per cent.

Recently there have been complaints in West German papers that British exporters have not been passing on the benefits of the depreciation in sterling to consumers here. The British have replied by saying that, after allowing for increased raw materials costs, benefits have been passed on but have been pocketed by West German agents and importers.

The statistics give no real indication of what has been taking place as no true volume figures have been supplied

U.S. orders mooted for Airbus

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

WESTERN AIRLINES, a major U.S. domestic operator, is reported to be on the verge of deciding to buy the European A300 Airbus.

The airline has been seeking for some time a replacement for its ageing fleet of Boeing 720s and 707s, and is initially interested in eight A300s, worth more than $200m.

Extensive discussions have been under way between Airbus Industrie, the Airbus builders, and the airline. But the competition has been fierce, with all the major U.S. manufacturers, Boeing, Douglas and Lockheed, struggling to keep the Airbus out.

Any Western order — a Board meeting was due to be held late yesterday in Los Angeles, but it was not certain that a decision would be taken then—would be a major stimulus to the Airbus sales in the U.S.

It would be the first U.S. order for this twin-engined, short-haul jet, built by a European collaborative consortium, with Hawker Siddeley of the U.K. building the wings, and it could open the way to a large number of other orders from short-haul domestic operators in the U.S.

All the reports emanating from Western's head office in Los Angeles have suggested that the Airbus has the edge over its competitors, the McDonnell Douglas DC-10 and the Lockheed TriStar in their short-range versions.

Although the Airbus is smaller in terms of seating capacity (230, against 250-300 for the other jets), it has the edge in price (about $25m. per aircraft).

One Western director is reported to have said that the Airbus is $8m. cheaper per aircraft than the DC-10, and that because it is a twin-engined aircraft, against the three-engined DC-10 and TriStar, it is cheaper to operate. "It is clearly a superior buy," he said.

It is understood that Airbus Industrie is offering better long-term financing arrangements than its U.S. competitors.

Qualms about whether or not to buy a foreign aircraft are believed to have been resolved. Western's Board is understood to argue that the U.S. has sold many jets overseas, so that it is time it bought some from foreign builders. Also, Western believes that the Airbus is five to seven years ahead of anything Boeing or McDonnell Douglas can offer.

Whether other U.S. airlines would rush to buy the Airbus if Western buys remains to be seen. United Airlines, which is also in the market for a new short to medium-range jet, has said it is not even considering the Airbus, and similar views have come from American and Eastern Airlines.

But there are many smaller, short-haul to medium-haul airlines in the U.S. who are currently looking for Boeing 727 and 707 replacements, who would be attracted to the Airbus, and they are already being lobbied hard by Airbus Industrie.

British nuclear deal with Iran

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITISH ENGINEERS are to help Iran supervise the construction of its nuclear power industry under the terms of a five-year contract expected to be worth £7.5m. (about £1.5m. a year).

This is the fourth nuclear management contract Iran has placed—all with Britain—for the supervision of a nuclear programme being constructed largely by German and French groups.

The contract was signed at the week-end between British Electricity International, the overseas consulting arm of the electricity supply industry, and the Atomic Energy Organisation of Iran. It was concluded by Mr. David Fenton, managing director of the British consortium, and Dr. A. Sotoodehnia, general manager of the atomic energy organisation.

Britain won the contract in the face of competition from four other tenders—two Swiss, one French and one U.S.

Technical services are to be provided by the generation development and construction division of the Central Electricity Generating Board, at Gloucester, which has already sent a pressure vessel expert to Tehran to consult on a nuclear containment problem.

Iran at present has about 4,400 MW of non-nuclear generating capacity, but has ordered twin 1,200 MW pressured water reactors from Kraftwerk Union in Germany and plans to order more pressured water reactors from France.

There is talk of installing as much as 23,000 MW of nuclear capacity in the next 15 years, although problems of finding both sites and finance are likely to impede these plans.

The new supervisory contract is essentially an "enabling" contract which permits Iran to call upon such services as design, procurement, project management, quality assurance and inspection, whenever it requires them.

Egypt import subsidy cut

BY MICHAEL TINGAY

CAIRO, Jan. 24.

DR. ABDUL MONEIM EL KAISSOUNY, Egypt's Deputy Premier for Economic Affairs, is intending to transfer another large amount of Egyptian imports from the official exchange rate to exchange transactions on the parallel market, semi-official newspapers in Cairo reported to-day.

This means that a large number of commodities imported at the unrealistic official exchange rate will have this implicit subsidy removed. To offset the increased cost of this importation, the Deputy Premier has proposed a fund to absorb part of the difference in cost to the consumer. The official exchange rate is 38 piasters per dollar. The parallel rate is 68 piasters.

ANSWERING LINK

NORTHERN Telecom, a member of the Bell Canada Group of companies, and Ansafone of Great Britain, an ATV company, has entered into an agreement whereby Northern Telecom will market Ansafone's new ranges of compact telephone answering machines in Canada and the U.S.

Nigerian port delays build up

BY JAMES BUXTON

LAGOS, Jan. 24.

THE NIGERIAN Ports Authority (NPA) is asking shipping conference lines to co-operate in clearing a growing backlog of ships waiting to enter Lagos harbour by reducing their use of priority berths. The NPA wants berths made available to non-conference shipping from February 1, but so far no final agreement between the conferences and the NPA has been reached. The move could restrict exports from U.K. to Nigeria.

The conferences, which co-ordinate shipping from the U.K. (UKWAL), Northern Europe (COWAC), the Far East and the U.S. together have reserved rights to seven of the 13 deep-water berths at Apapa in Lagos harbour. Unloading at these berths is supervised by the conferences in an effort to ensure that their ships are subject to minimal delay on arrival. However, 96 ships were waiting to enter Lagos harbour as at last Friday. The number of ships waiting has risen from a low of about 60 at one point last year because of renewed cement ordering, increasing fertiliser buying and the arrival off Lagos of some general cargo ships which, the NPA says, did not obtain official clearance from the authorities before sailing for Nigeria. The situation is aggravated by the loss of three extra berths to a major road building project on Lagos Island.

There are fears that the backlog of ships will increase steadily until new berths come on stream towards the end of the year. The NPA has therefore asked the conference lines to accommodate the backlog at their reserved berths and to supervise their unloading. According to the NPA, the arrangement will be imposed "judiciously" and the berthing of ships of conference and non-conference lines will be regulated according to demand for specific products and commodities. The conferences have agreed in principle to accommodate other vessels in their berths but there is no agreement with the NPA as to numbers. The conference lines are insisting that they must not be forced to cut back on sailings which would damage essential trade. According to a source at the NPA, the backlog could be cleared in two to three months.

The conference lines are understood to be arguing that they operate a vital, in effect scheduled, service from the major industrial countries to Nigeria and that any cancellations or delays will seriously harm Nigerian industry, which relies for its inputs on a steady stream of imported raw materials. Nigerian consumers would also be affected, they say.

HOME NEWS

W. German trawler damage closes Beryl field well

BY RHYS DAVID

DAMAGE CAUSED by a West German trawler to undersea oil installations in the North Sea has resulted in the shutting down of a well in Mobil's Beryl field, with the loss of 6,300 barrels a day for the past six weeks.

The incident, which was revealed yesterday, has led to discussions between the company and West German trawler companies, who have given assurances that they understand the dangers of straying close to North Sea installations.

Mobil said yesterday that at various times between November 21 and December 9 up to 12 West German vessels were seen close to the Beryl platform, 210 miles north-east of Aberdeen. The 500-metre safety zone around the platform and the tanker landing buoy over a mile away was entered by several of these trawlers.

No spillage

One vessel damaged an electric control cable running from the platform to one of the wells from which oil is being extracted, making it necessary for the well to be shut down.

The incident has not led to any spillage, but it means that a substantial part of the field's output—around 30,000 barrels a day over recent months—is temporarily not available.

An expensive drilling rig has had to be hired and taken to the scene to help with repairs. Mobil was unwilling yesterday to estimate the cost of lost production and repairs.

The incident highlights warnings from all the oil companies at work in the North Sea of the danger of foreign trawlers ignoring regulations forbidding them to sail too close to platforms. This is thought to be the first time damage has been caused.

A Royal Navy vessel was sent to the area, but the trawlers had left before it arrived.

The Department of Energy said yesterday that normal procedures had been followed and denied reports that Mr. Anthony Wedgwood Benn, Secretary for Energy, had at any time ordered Royal Marines to board the offending vessel.

Terry Kirk

Mr. Callaghan, the Prime Minister, and Herr Schmidt, the West German Chancellor, share a joke before facing the Press following two days of talks at Chequers and Downing Street.

Tobacco substitute findings soon

BY STUART ALEXANDER

IMPERIAL TOBACCO expects to present the last of its research into tobacco substitute to the Hunter Committee in the next two weeks.

Imperial has been collating information from the long-term laboratory tests into New Smoking Material which it has developed jointly with ICI.

Imperial is hoping for an early indication from the government-appointed committee on whether it is likely to authorise the use of the substitute. The committee will also deliberate on the laboratory information provided by the Celanese Corporation of America on its tobacco substitute Cytrel.

With more than £20m. invested in research and development, a factory at Ardeer, Scotland, Imperial is becoming impatient to see some return on its NSM and the company has indicated that if a decision over the use of substitute materials is held up for too long it will abandon the project.

The company has held talks with Celanese Corporation over the purchase of Cytrel and has used an experimental sample batch. Cytrel is being used in Germany and Switzerland by BAT Industries and Rothmans but with limited success.

Many countries are waiting for the Hunter decision before giving the go-ahead for the use of substitutes. The claims made for NSM and Cytrel are that they deliver less tar and nicotine with less irritation.

The Hunter committee has already shown that it has no intention of being rushed into making a decision. It is thought that, with EEC tax harmonisation due to be completed by the end of this year, Customs and Excise are reluctant to take on a new policing job for what could be an interim period.

Holiday price fixing at an end

BY ARTHUR SANDLES

BRITAIN'S package tour companies have agreed with the Office of Fair Trading to drop many of their trade restrictions affecting prices. Although in theory this opens the way to a price war, it simply endorses the tacit ending of price regulation which has already taken place this year.

Until now tour operators have been covered by an Association of British Travel Agents membership rule which says that tour companies must stick to the prices they publish in their brochures. Now ABTA has agreed with the OFT that tours can be sold at whatever price the operator decides.

This should not produce differential pricing in retail agencies. ABTA still has a rule registered which prevents retailers from undercutting each other. If tour operators wish to cut prices they must therefore do it nationwide.

Price fixing by tour operators for a year or more ahead showed signs of collapse last year when some operators put photographs into their booking conditions which allowed them to change the price and yet, they claimed, stay within the ABTA rule of sticking to published rates. A recent lack of booking and chronic overcapacity in the industry has forced some to abandon even this thin disguise and plunge into price cutting.

British Airways reduced many of its tours by £30 in a New Year sales campaign.

The OFT said last night that ABTA had agreed to end agreements under which tour operators could not sell holidays below brochure prices; could not publish different brochures with the same holidays at different prices; could not offer inducements which effectively reduced the price (buy a holiday get a free suitcase, for example); could not offer discounts to other than ABTA agency staff.

Asbestos danger statement

By David Fishlock, Science Editor

DANGER FROM ASBESTOS in buildings is likely to arise only when materials containing it are damaged and fibres released into the atmosphere, said an interim statement from the Government Advisory Committee on Asbestos.

The committee, under the chairmanship of Mr. Bill Simpson, chairman of the Health and Safety Commission, was set up last March to review health risks associated with asbestos both at work and in the home.

It recommends that exposure to all forms of asbestos be reduced to the "minimum reasonably practicable." Certain hygiene standards should not be exceeded for occupational exposure to asbestos dust.

On domestic exposure the committee says there is little risk provided products are "used normally and are in good condition." It offers guidelines for the do-it-yourself user of asbestos products, mostly dealing with avoidance of dust.

Asbestos health hazards and precautions: an interim statement by the Advisory Committee on Asbestos, published by the Health and Safety Commission; SO, 10p.

Leyland will race throughout Europe

BY JOHN GRIFFITHS

LEYLAND CARS yesterday announced an ambitious motor sports programme for this year which should see the company's products, from Minis to Jaguar 12-cylinder XJ 5.3 coupes, raced or rallied throughout the U.K. and Europe.

Leyland came back into motor sport last year, after a gap of 10 years. Now, under the guidance of its newly-appointed director of motorsport, Mr. John Davenport, the company is integrating in one division all the sport activities undertaken separately last year by the three operating groups: Leyland Cars, Leyland International and Unipart.

An extensive programme confirms renewed interest in rallying and racing as a promotional tool. The company said yesterday that competition was proving the most useful way of gaining younger buyers, than the average of those attracted since the competitions department was closed in the mid-'60s.

It was announcing its plans with "cautious optimism"—an oblique reference, this, to the heavily-publicised announcement last March of the company's intention to field two of the big XJ coupes in the 1976 European Touring Car championship. Development problems allowed the cars to appear only briefly, and unsuccessfully.

The Jaguar project remains one of the most important in the Leyland programme, involving 12 championship rounds in 10 European countries. The rest of the racing programme involves two Formula 3 cars, powered by Dolomite Sprint engines, to compete in the BP Formula 3 championship in Unipart colours, and two Dolomite Sprint saloons to compete in the RAC national touring car championship.

Finally, the company is to sponsor again a 48-race National Mini Challenge, for all engine sizes of Minis.

Tighter inflation curbs needed—bank chief says

BY MICHAEL BLANDEN

THE GOVERNMENT has not set itself tough enough aims in bringing down the rate of inflation, Sir Jeremy Morse, deputy chairman of Lloyds Bank, said last night.

Given the U.K.'s relatively low growth rate, Britain needed to have an inflation rate lower than that of other leading industrial countries. "The combination of low growth and high inflation is particularly damaging to competitiveness."

In a talk at the Cardiff Business Club, Sir Jeremy also drew attention to the growth of the public sector, with the accompaniment of high taxation. That, and inflation, were two persistent trends in the U.K.'s long-term problems.

The country's short-term crisis was not an accident arising from economic mismanagement. "It also reflects a serious long-term problem in the British economy and the doubts of many outside Britain about our ability to solve it."

A key feature of the long-term problem was low growth. The problem was "long-standing, complex and complicated, and its cure is likely to be correspondingly slow, hard and multiform."

IN BRIEF

Mail verdict on Thursday

The Appeal Court will give its decision in the South African mail boycott case on Thursday. The hearing ended last Friday. Separate judgments will be given by Lord Denning (Master of the Rolls), Lord Justice Lawton, and Lord Ormrod.

Farm price freeze

A relaxation of the price code and a European freeze on farm prices were called for yesterday by Mr. Derrick Hornby, new president of the Food Manufacturers Association.

Tanker agreement

Representatives of the world's oil tanker industry agreed in London yesterday to continue their search for a solution to the tanker surplus problem.

Schools 'undemocratic'

Britain's school system was "profoundly undemocratic," the National Union of Students said yesterday. It accused schools of failing to prepare students for their role in society—"Government of, for, and by the people" is a concept almost totally alien to the school.

Post Office given £9.2m. for price restraint losses

BY KEVIN DONE, INDUSTRIAL STAFF

THE POSTAL service, which is set to break even this financial year, has been granted £9.2m. by the Government as compensation for losses in 1975-76 caused by enforced price restraint.

Discussions took place over many months last year between the Post Office and the Department of Industry on the amount of compensation that should be paid for price restraint, but the Government finally agreed to subsidise the entire losses of the Postal Service.

The losses were incurred solely on the parcels service, which showed a deficit of £42.8m. last year. It has made a loss in all but one of the last 21 years. The remaining sectors of the postal business, including the inland letter service, made a profit of £33.6m.

This year's profit is expected to be more than £370m., but the Post Office has argued successfully that posts and telecommunications — the main profit earner — are separate enterprises and should not be cross-subsidised.

BAA to spend £10m. improving airport

By Michael Donne, Aerospace Correspondent

THE BRITISH Airports Authority is to spend up to £10m during the next few years on improving Glasgow Airport to cope with increasing passenger demand.

The first stage of this programme has already begun, with the opening of a new £½m. baggage-reclaim hall at the airport, which it is hoped will ease congestion.

Mr. Vivien Camacho, the BAA's director for Scotland, said: "We shall be making extensive alterations to the eastern end of the main terminal building, and we hope as a result greatly to ease congestion at the check-in areas."

The improvement of the airport is part of a major effort by the authority to expand its facilities in Scotland.

Mason visits Dublin for talks

BY GILES MERRITT

DUBLIN, Jan. 24.

CLOSER CROSS-BORDER co-operation on economic development and security procedures topped the agenda at Ministerial talks here to-day during the one-day visit to the city of Mr. Roy Mason, the Northern Ireland Secretary.

The Irish Government is understood to have been to some extent reassured over the potential dangers of the current "political vacuum" of direct rule in Northern Ireland, after Mr. Mason's discussions with five Dublin Ministers, including Mr. Liam Cosgrave, the Prime Minister.

Mr. Mason took the opportunity to rebut forcefully any suggestions of a phased British military withdrawal from Ulster or of reduced economic involvement there.

His talks on economic co-operation with Dr. Garret FitzGerald, the Foreign Affairs Minister, and Mr. Justin Keating, the Industry Minister, were later described as the most extensive cross-border economic contacts to date.

Mr. Mason said that he hoped there would be a continuing increase in Ministerial exchanges on the subject.

Cross-border security, which has led in the past to bitter recriminations between the British and Irish Governments, was discussed by Mr. Mason with Dr. Fitzgerald, Mr. Patrick Cooney, Justice Minister, and Dr. Conor Cruise O'Brien, the Posts and Telegraphs Minister.

Mr. Mason commented afterwards that co-operation between the security forces on each side of the border was "improving."

Ulster's political future, however, appears to have been the question uppermost in the minds of Irish Ministers. Mr. Mason's repeated public statements that direct rule is, as he reiterated to-day, "purposeful, decisive and of benefit to Northern Ireland," has led to growing official concern in the Republic that the Ulster Catholic minority's moderate Social Democratic and Labour Party may not survive the political vacuum.

The fear is that if the SDLP disappeared, the minority's support would be transferred to militant Republicans and the Provisional IRA.

Mr. Mason said he would shortly be having talks with Ulster's political parties, but there would be "no dramatic initiative" from the Government.

He is evidently prepared, however, to encourage discussion of the modified administrative rather than legislative form of devolution recently proposed by the Official Unionist Party's leader at Westminster.

OBITUARY

Sir Andrew Humphrey

AIR CHIEF MARSHAL Sir Andrew Humphrey, 56, Chief of the Defence Staff, died yesterday in the RAF Hospital, Halton, of pneumonia and septicemia. He was taken ill last week while visiting the RAF in Germany in very cold weather.

The senior serving staff officer, Admiral Sir Edward Ashmore, First Sea Lord, will act as CDS until a full-time appointment is made.

Sir Andrew, born in 1921, entered the RAF at Cranwell in 1939. In the Battle of Britain he flew Spitfires and Hurricanes. He became Chief of Strike Command in 1971. Becoming Chief of the Air Staff in 1974, he presided over a period of severe financial stringency for the RAF, with cuts in money, manpower and equipment.

Before becoming CDS last October he was an outspoken critic of the Government's continued cuts in defence spending, and he led the combined Chiefs of Staff when they visited the Prime Minister recently to protest against the latest cuts

Discrimination hitting Scotch exports, says Association

BY STUART ALEXANDER

EXPORT SALES of Scotch whisky rose by less than 2 per cent. last year to 91.8m. proof gallons but the value rose by 19 per cent. to £436m. after an increase of £1.14 per case early in the year.

"But this is well short of what the industry could achieve," Mr. A. K. Bergius, of the Scotch Whisky Association said in London yesterday.

Mr. Bergius said that at home the industry had ben dealt "a savage and discouraging blow" through the imposition during the last two years of an extra £1.17 in duty on a bottle.

The industry also had to fight discrimination abroad. On entering the Common Market "we were promised that the removal of import duties and trade barriers would give us an enlarged home market of some 200 people.

"Far from reducing trade discrimination against us our partners in Europe have been among the leaders of those who are taking measures to increase it.

"In this they are no doubt encouraged by the shortsighted way in which our own government perpetuates the unfair trading advantage which its taxation policy gives to our competitors."

France had become the third largest export market for Scotch but France was proposing from next month to give its brandy industry an even greater competitive advantage by raising the tax on Scotch by 11 per cent. while the brandy tax would stay at the old rate.

Rum, because it came from Martinique and Guadeloupe would also be given increased protection. "I can't help thinking how agreeable it must be to work in a country where the government is on one's side," said Mr. Bergius.

Nevertheless, he said the industry looked to the future with restrained optimism but he hoped that the Department of Trade would in future take a more robust stand on behalf of one of the major exporting industries.

3.4m. copies of restyled Express sold

By Michael Thompson-Noel

BEAVERBROOK Newspapers was delighted last night over what it described as the "marvellous" reaction of readers and advertisers to the first issue of its restyled, tabloid Daily Express.

Mr. Brian Nicholson, Beaverbrook's joint deputy managing director, said the print-run for Day 1—slightly more than 3.4m. copies—had been a sell-out.

The first issue of the re-styled Express had enjoyed an outstanding production run he added. Yesterday, the newspaper had been "flooded out with calls from potential advertisers impressed with the new product and convinced that its plan to target editorially on a younger readership was likely to work."

The promotional effort behind the new Express cost £340,000.

Government puts £40m. into new aid schemes

BY ADRIAN HAMILTON

THE DEPARTMENT of Industry yesterday introduced two aid schemes—£20m. for the electronic components industry and £20m. for non-ferrous foundries.

These schemes are part of a programme of specific industry aid projects to encourage a renewal of assets and a product-rationalisation in key sectors of the industrial economy.

Both schemes have been designed with the lessons of the previous ones, such as those for the ferrous foundry and machine too aid projects, very much in mind.

In the case of the electronic components industry, one of the specific aspects included has been the restructuring of companies or a group of companies.

Assistance will be available in the form of a loan up to half of the total eligible cost of the project and the loan "will be at the concessionary rate of interest with an interest-free period of up to three years, or where more appropriate, in the form of an interest relief grant on a national loan under the same conditions."

To be eligible, the total qualifying costs of a project must not normally be less than £50,000 and assistance will only be given to the extent that rationalisation and restructuring costs have been incurred by the end of the year 1979.

The Department's other plan—for non-ferrous foundries follows the successful ferrous foundries scheme.

With the same aim of encouraging a renewal of assets in mind, the scheme is aimed at assisting "new investment in modern plant, equipment, and buildings.

As in the case of other industrial aid schemes, a grant of 25 per cent. will be available at the discretion of the Department to meet the eligible costs for investment in plant and machinery

Airfix given year to decide

BY JAMES McDONALD

AIRFIX—the kits and Meccano toys group—has been given another year by the Government to decide on whether to make a £400,000 cash investment in the loss-making Tri-ang business.

The Airfix original option with the Government to put up more cash for Tri-ang would have run out in two months' time but the time limit has now been extended to March next year.

"The Tri-ang business is still loss making but we hope to be showing a profit in the final months of this year," Mr. Ralph Ehrmann, Airfix chairman, said yesterday.

"We will take our decision when we are finally satisfied the company is on a viable basis."

Airfix took a two-thirds share stake in Tri-ang in 1975 for a "nominal sum" as part of a rescue package that saw the Government inject more than £1m. into the company with Preference capital. The Government holds the remaining one-third of the Ordinary shares of Tri-ang.

If Airfix decides to take up its option, the Government will, in turn, also inject a further £200,000 into Tri-ang and this, effectively, will secure the future of the Merthyr Tydfil-based company that employs just over 600 workers.

Airfix, if it puts up the extra cash, will then have a further option — running to at least another two years—to buy out the Government's remaining one-third stake in the company.

Mr. Ehrmann said last night that there was a "pretty good" chance his group would take up the extended option to put in the further cash. "We are encouraged by the progress so far."

Should Airfix not take up the option—and it will probably make a final decision at the end of this year rather than wait until March next year—the two-thirds interest in Tri-ang would go up for sale.

Meanwhile, the Airfix group is now more than nine months into its current financial year and Mr. Ehrmann says he is confident about the group's final results.

Changes likely at National Freight

By Ian Hargreaves, Industrial Staff

FURTHER CHANGES in the Board and Management structure of the State-owned National Freight Corporation are planned, exactly a year after a big internal shake-up.

Moves to put more professional transport men on the Board come soon after announcement of similar changes at British Rail, where four railway executives have become directors. British Rail's two-tier Board structure was scrapped.

Mr. William Rodgers, the Transport Secretary, has discussed a similar development at National Freight with Sir Daniel Pettit, the Corporation's chairman.

Mr. Rodgers believes that addition of successful executives to the Board will strengthen its role in controlling the financial performance of its member-companies, which turned in a collective loss in 1975 of £31m. They are expected to report a £15m. loss, after interest and pensions liabilities, for 1976.

Appointment of Board members is a matter for the Secretary of State, but Mr. Rodgers was keen to win the support of Sir Daniel, who is now almost certainly in his final three-year term as part-time chairman and chief executive. He is 61 next month.

Easy transition

The changes at National Freight last year may make the transition to a part-professional Board fairly straightforward.

Before 1975 there was a two-tier Board, one tier for part-time directors, the other for senior executives, with Sir Dan as full-time chairman.

In January 1975 Sir Dan became part-time, the executive Board was scrapped and was replaced by a smaller chairman's policy committee consisting of Mr. Victor Paige and Mr. Peter Thompson (both executive vice-chairmen) with Mr. P. W. McGrath, the comptroller.

A management committee, junior to the chairman's committee, was instituted, including the managing directors of all the major National Freight companies, and meeting monthly.

It is certainly in part the vigour of this committee and the managing directors acting autonomously in their own companies which brought about the £16m. turnround in National Freight performance last year.

It is still not clear how many executive directors Mr. Rodgers and Sir Dan plan to bring on to the Board, but they will probably be appointed in addition to the present part-timers, rather than in place of them.

Likely candidates for the post are the members of the present chairman's policy committee.

One problem involved in the transition will be remuneration, as the senior executives may well face a drop in salary. Such a consequence was avoided in the British Rail appointments.

The eight part-time members get between £1,000 and £2,000 a year.

Two British Rail appointments below Board level, those of heads of passenger and freight, are expected shortly. Both will be internal promotions.

Former Lord Mayor leaves £210,262

SIR (Sydney) Harold Gillett, Lord Mayor of London 1958-59 and formerly senior partner in Dixon Wilson, Tubbs and Gillett, chartered accountants, —left £210,262 gross, £197,000 net. Sir Harold, who died in September, aged 89, was the father of Sir Robin Gillett, the present Lord Mayor.

NEWS ANALYSIS—TURBINE TROUBLES

'Fingerprints' that saved Drax

BY DAVID FISHLOCK AND ROY HODSON

CLAIMS TOTALLING millions of pounds may be lodged against C. A. Parsons, the turbine makers, by the Central Electricity Generating Board over the failure of two of the three 660 MW turbo-generators at the Drax power station in Yorkshire.

The company is meeting its two main domestic customers, the CEGB and the South of Scotland Electricity Board, at a high-level conference at the Newcastle headquarters to-day to discuss the logistics of replacing the faulty parts, initially by "cannibalising" equipment destined for other stations.

The CEGB is being advised that it can seek reimbursement from the manufacturer under clauses in the Drax contract dealing with "latent defects" in the machinery.

The faulty units, each about two years out of its 12-month guarantee period, are made to a design extrapolated from experience with the previous generation of 500 MW machines.

CEGB experts estimate that each of the faulty shafts will cost upwards of £1.5m. to replace. In addition, use of more expensive, older power stations to fill the power gap created by the lost electricity output could add more than £4m. to the Board's operating costs.

The turbo-generators were guaranteed for a 12-month period in accordance with standard commercial practice. The CEGB and other U.K. utilities have been pressing turbine makers in Britain, Continental Europe, and North America for longer guarantee periods on the grounds that teething troubles in the new generation of large machines can manifest themselves after years rather than months.

Parsons took orders for eight of the 19 660 MW machines ordered for the home market (GEC has the rest). The first three were installed at Drax and two of these have now failed. The third at Drax is to a different design, inherited from GEC when it sold its Erith factory to Parsons in the 1960s.

The remaining five are in the process of being run-up, installed, or constructed for the SSEB. The No. 3 turbine for Inverkip, not yet delivered, is being sent to Drax instead, with the SSEB's approval.

The CEGB's technical directors believe that a disastrous explosion that would have wrecked the turbine hall of Drax, Britain's newest and biggest coal-fired power station, was averted only by a new system for monitoring plant performance introduced at Drax as an experiment.

Each time one of the turbines was started up or closed down the vibrations of the machine were recorded, giving a trace similar to a weather barograph reading. What the engineers call a "fingerprint" of the cycle of operations of each machine was obtained.

For more than two years the three Parsons turbines performed perfectly. In November last year, however, the No. 2 machine recorded a completely new set of vibrations. It was immediately closed for investigation.

Cracks were discovered in the main shaft—the heart of the generator. An impressive piece of precision-machined steel, it is more than 50 ft. long between bearings. With the rest of the rotor it weighs about 90 tons. The whole unit revolves at 3,000 rpm.

The engineers were particularly concerned to find circumferential cracks, like gashes, several inches deep round the shaft of Drax 2. Had it parted at normal running speed, the consequences would have been like a bomb going off—physical damage followed by a fire caused by the oil in the machine.

No. 2 machine failed after 15,000 hours running. The CEGB engineers detected similar mis-running of No. 1 machine when it too reached 15,000 hours two weeks ago.

There appears to be a consensus within the CEGB that the cracks in the shafts stem from machining work during the manufacturing process.

Questioned about this yesterday, Dr. Robert Hawley, managing director of Parsons, said that the cracking appeared to have spread from the ends of steel inserts incorporated in slots in the rotor to close the magnetic circuit. Although the cracked rotors themselves would have to be scrapped—and it takes 18 to 24 months to manufacture a new rotor—he believed it should be a fairly simple matter to avoid the problem in future, either by contouring the ends of the steel inserts or by leaving them out altogether.

The CEGB's own panel of inquiry into the faults has not yet reported. Compared to U.K. experience with the 500 MW sets—considered too big a jump from the 350 MW generation for the amount of research done—the debut of the 660 MW sets has until now been remarkably trouble-free.

Troubles are commonplace among prototypes in the electricity industry and the Drax machines are essentially prototypes.

Parsons points out that, Drax apart, at least 25 turbo-generator shafts—15 turbine and ten generator—have cracked worldwide in the past five years to its knowledge.

There seems no doubt, however, that the Drax troubles have been a severe shock to manufacturer and customers alike.

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PARLIAMENT

CBI's view on Bullock attacked

BY IVOR OWEN, PARLIAMENTARY STAFF

AN APPEAL for a more constructive attitude by the CBI and other employer organisations towards the development of industrial democracy was made by Mr. Bob Cryer, Under Secretary for Industry, in the Commons yesterday.

But he failed to deter Tory backbenchers launching another barrage of protests against the proposals on worker-directors which they expect to find in the Bullock report when it is published to-morrow.

Mr. Cryer expressed disappointment at the "rigid attitude" already adopted by the CBI "I would have thought that it would have been much more constructive to recognise that there is a movement, not only in this country, but in the whole of Europe, to enable the working man to play a greater part in decisions that affect his everyday life."

Mr. Cryer claimed that the notion that only a tiny section of the population should be able to make decisions in industry was being eroded away.

"I hope industry will play a more constructive part and take a more constructive attitude towards the extension of industrial democracy."

Mr. Alfred Hall Davis (C., Morecambe and Lonsdale) emphasised the role of the Ministry as a sponsoring Department for many major industries and urged the Minister to ensure that the Bullock proposals were examined from a practical viewpoint.

It was important that no damage should be done to British industry in the pursuit of politically praiseworthy objectives which, in practical terms, were very hard to achieve, he declared.

In more outspoken terms, Mr. Robert Adley (C. Christchurch and Lymington) argued that the Bullock committee had very little to do with industrial democracy. *To expect a body* which included Mr. Jack Jones and Mr. Clive Jenkins to produce an impartial report was like asking a penguin if he liked swimming.

Mr. Cryer retorted that Mr. Adley had indulged in exaggerated nonsense. The Bullock committee had been working extremely hard and had received evidence from a great number of organisations. The truth of the matter was that the Bullock committee report represented a major step forward in the discussion and development of industrial democracy in Britain.

While Mr Adley and other Tory MPs continued to "hide their heads in the sand," the working men and women in Britain were looking forward to developing industrial democracy, Mr. Cryer argued.

MR. BOB CRYER
Appeal for more constructive attitude.

U.K. envoy to seek deal for islanders

By John Hunt, Parliamentary Correspondent

MR. RICHARD POSNETT, former Governor of Belize, is being sent on a mission to the Pacific to work out a settlement for the Banabans, the former inhabitants of Ocean Island, who recently won a victory in the High Court against the British Government and the Phosphates Commissioners.

The move was announced in the Lords yesterday by Lord Goronwy-Roberts, Minister of State in the Foreign Office, who told peers: "It is our firm intention and our hope that we can of lead in taking action which will settle this outstanding question."

The case was brought to the High Court by 3,000 former inhabitants of Ocean Island seeking damages for past royalties from phosphates which had been extracted there. They were awarded damages but these were expected to be well below the $A10m. which they were seeking.

Lord Goronwy-Roberts said the Government had for some time been concerned about the future welfare of the islanders in this part of the Pacific, especially the Banabans.

Water Bill revolt

By Ivor Owen

DESPITE A revolt by 17 backbench Labour MPs, including Mr. Robert Mellish (Lab., Bermondsey), the former Chief Whip, the Government secured a majority of 95 on the second reading of the Water Charges Equalisation Bill in the Commons last night.

Other Labour members from London constituencies joined Mr. Mellish in protesting about the adverse effect of the Bill on consumers in the metropolis.

The Bill was given a second reading by 228 votes to 133.

In the closing speech for the Government, Mr. Alec Jones, Under-Secretary for Wales, reaffirmed the Government's intention to establish a National Water Authority. It was hoped that a White Paper outlining the *Government's proposals would* be published in the spring.

The 17 Labour rebels included the two tellers. There was also cross voting among Conservative and Liberal MPs.

No evidence of corruption

POLICE HAVE not been able to establish evidence of allegations of irregular dealings between advertising agencies engaged on Government campaigns and companies producing Press advertising material. Mr. Charles Morris, Minister of State for the Civil Service, said in the Commons yesterday.

Mr. Morris said there had been Press reports of alleged irregular dealings These had been referred to the police who had been unable to establish evidence that corruption of the sort alleged had occurred.

"I am entirely satisfied that no Government employees could have been involved in any such irregularity," he added.

Tory Chief Whip argues case for fewer and better Bills

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A PLEA for a reduction in the increasing flow of legislation from successive Governments was made last night by Mr. Humphrey Atkins, the Conservative Chief Whip, in evidence to the Commons Select Committee which is considering the reform of Parliamentary procedure.

"There should be less legislation placed before Parliament in future. That is the main step that would ease our burden and make for better legislation," he declared.

He put forward three proposals which he thought would have *the effect of cutting down the* number of new Bills brought forward, and of improving their quality.

1—A Select Committee should be set up to consider most Bills in order to clarify the Government's intentions and to examine how well they were implemented in the legislation.

2—There should be a bigger time gap between the various stages of a Bill in order to allow longer periods for reflection and consideration.

3—Backbench MPs should have access to more information. The present system of financial assistance to provide researchers for the main Opposition parties should be extended to individual members.

Enlarging on the proposal for a Select Committee, Mr. Atkins explained that the normal Standing Committees would still consider the Bill at a later stage but would concentrate on examining policy questions. The advantage would be that the Select Committee could examine witnesses including Ministers, civil servants and outside interests. Thus, consideration would not be limited to MPs.

"I take the view that Parliament does not exist as simply a piece of machinery to translate as speedily as possible what the Government wants. Parliament was invented for precisely the opposite reason," he added.

Mr. Atkins strongly disagreed with some previous witnesses who want to place a time limit on Bills by stipulating the date by which they must complete their passage. He thought that such a move could prove disastrous.

"Simply because Oppositions are faced with too much legislation, they react more strongly and use greater efforts to slow down what is presented to them. If the weapon of time were removed from the Opposition, it could be very dangerous."

He took a poor view of a suggestion from one of the committee members, Mr. Michael English (Lab. Nottingham West), that Bills should not be allowed to fall if they had not completed their passage when Parliament was prorogued at the end of each year. Instead, Mr. English thought, they could be automatically continued in the following session.

Mr. Atkins added: "I believe that successive Governments have loaded the House of Commons with as much legislation as members accept it, they will go on doing so."

Cash limits only way to control Whitehall spending, says ex-Civil Service chief

BY RUPERT CORNWELL, LOBBY STAFF

BRITAIN'S FORMER top civil servant, Lord Armstrong of Sanderstead, yesterday argued that straight cash limits were the only effective means of keeping *Departmental spending in* Whitehall under proper control.

Lord Armstrong, who took over in 1975 as chairman of the Midland Bank, claimed that nothing except "relentless downward pressure" on total expenditure could contain the "inherent tendency of bureaucracy to expand and to perfect itself."

His remarks came during evidence at a session of the Commons' sub-committee on Expenditure, which is investigating the follow-through to the 1968 Fulton report on ways of reforming the Civil Service.

As head of the Home Civil Service between 1968 and 1974, it was Lord Armstrong who was responsible for implementing the report. This produced among other things a Civil Service College and the creation of a Civil Service Department to take over the Treasury's former overall supervision of Whitehall.

His emphasis on cash limits reflected his strong doubts over *improving the efficiency of the* service in other ways, either by stepping up incentives or by making individual civil servants more directly responsible to the general public.

Turning to the Civil Service College, Lord Armstrong told the sub-committee of his disappointment at the courses it offered. The college appeared to him too academic and not *sufficiently tuned to the jobs that* had afterwards to be done.

Sir Derek Rayner, another former civil servant, giving evidence yesterday, emphasised the vital part that improved incentives had to play in making Whitehall work better.

Sir Derek, once head of the Procurement Executive at the Defence Ministry and now managing director of Marks and *Spencer, enthusiastically urged* greater interchangeability between the public and private sectors. "But the present top Civil Service salaries will not attract enough talent from outside," he warned.

Windscale safety assurance

BY IVOR OWEN, PARLIAMENTARY STAFF

A FURTHER clearance for the safety precautions at the Windscale nuclear fuel plant was given by Mr. Anthony Wedgwood Benn, Energy Secretary, in the Commons yesterday.

He was questioned about the open verdict recorded at the Winchester inquest on Mr. David Berry, the 22-year-old man who *died two months after finishing* work at the plant.

Mr. Benn stated that the Nuclear Installations Inspectorat had considered the radiation exposure record of Mr. Berry, who was employed by British Nuclear Fuels from August, 1975, to September, 1976. During this period, his exposure *to radiation from all sources in* the course of his employment was "well within the permitted levels imposed for persons occupationally exposed on the site."

Mr. Benn pointed out that these levels are based on the recommendations of the *International Commission on Radiological Protection*, endorsed by the Medical Research Council, and laid down in the conditions attached to the nuclear site licence.

Replying to a further question about the leakage of radioactive water at the Windscale plant, Mr. Benn told MPs that environmental monitoring results on and around the site continued to show that the leakage was causing no hazard to workers or members of the public.

Patents Bill 'an expensive monster'

PROPOSED NEW patent laws would mean for small inventors "another expensive monster in the jungle of patent regulations," peers heard yesterday.

Lord Lloyd of Kilgerran (L), president of the Institute of Patentees and Inventors, said the proposals might force the small inventor to take risks by operating outside the patent system. They *would rely on* secrecy, the law on confidential information and their ability to exploit their inventions commercially as quickly as possible.

During second reading debate on the Patents Bill, Lord Lloyd also criticised the measure for failing to cut the expense of present procedures of patent protection.

The Bill sets up a new Patents Court as part of the High Court, puts into Statute the law on ownership of inventions made by employees and provides for awards to such employees in certain cases. It also gives effect to some international patent treaties.

Lord Lloyd said the Bill would be of great advantage to large firms and multi-national companies. It would help them in the acute competition in their international business and enable them to protect their investments in technology.

But his fundamental criticism was that the Bill would not encourage innovation for the small inventor or the small and medium-sized firm.

Moving the second reading, the Lord Chancellor, Lord Elwyn-Jones, said the Bill would be of much benefit to industry, our inventors and the nation as a whole. It would bring about a radical reform of patent law and enable the U.K. to ratify international agreements.

Employees would be eligible for rewards if they produced inventions in the course of their work. The Government believed that more should be done for such people.

The benefit obtained by the employee would be related to the benefits received by the employer from the patent.

From the Opposition front bench, Lord Lyell, said the Bill was the greatest major event in this field over the last 15 years. He hoped it would clarify problems arising from ever more complex research.

The Bill was given an unopposed second reading.

Teacher training college closures planned

BY IVOR OWEN, PARLIAMENTARY STAFF

PROPOSALS for a major cutback in teacher training facilities, to take account of the sharp fall in the birthrate in recent years' were outlined by Mrs. Shirley Williams, Secretary for Education and Science, in the Commons yesterday.

Between 25 and 30 teacher training establishments are expected to close, but the Minister emphasised that no final decisions have yet been taken.

She explained *that* the Government's strategy was to establish a basic training system capable of expansion to meet any foreseeable needs in the 1980s while not so large as to create a surplus of qualified teachers for whom jobs could not possibly be provided.

Mrs. Williams told MPs that the advisory committee on the supply and training of teachers had agreed with her proposal that the system should be reduced to about 45,000 places. Of these, some 10,000 should be available for in-service education and training of serving teachers and the support of induction arrangements for new entrants

Mrs. Williams outlined the main proposals as follows:

NORTHERN REGION

Teacher training in the Tyneside area should be concentrated in Newcastle Polytechnic where places should be increased from 650 to 900. Northumberland College and St. Mary's College, Newcastle Upon Tyne, should cease to provide teacher training.

Negotiations for the merger of St. Hild and St. Bede with Durham University should be continued on the basis of a reduction in teacher training to 400 places.

YORKSHIRE AND HUMBERSIDE

The teacher education facilities at Bretton Hall College, Wakefield and Huddersfield Polytechnic should be amalgamated, the combined institution to have 550 teacher training places based largely on existing Bretton Hall provision and retaining courses in shortage subjects from both institutions. The part-time initial training at Castleford Annexe should cease.

Lady Mabel College, Rotherham should be merged with Sheffield City Polytechnic. Initial teacher training should cease at North Riding College and at the Doncaster Metropolitan Institute of Higher Education.

Teacher training in the three Bradford colleges should be reduced from 1,000 to 600 places, in such a way as to safeguard provision for home economics and training relevant to a multiracial society. This would probably mean teacher training would have to cease at Bingley College.

The provision at Trinity and All Saints' Colleges should be reduced from 750 to 650 places.

NORTH WEST

Initial teacher training should be discontinued at Preston Polytechnic and at Padgate College of Higher Education.

Provision for teacher training at Liverpool Polytechnic and the City of Liverpool College of Higher Education should be reduced from 1,350 to 1,000 places and their amalgamation should be considered.

The Liverpool Institute of Higher Education—Christ's and Notre Dame Colleges (Roman Catholic) and St Katharine's College (Church of England)—should concentrate on the Woolton sites, with a reduced provision of *1,000* teacher training places.

Provision at Manchester Polytechnic and Manchester College of Higher Education should be reduced from 1,850 to 1,500 places. Provision at De La Salle College should be reduced from 750 to 600 places.

Provision at Crewe and Alsager College of Higher Education should be reduced from 1,100 to 1,000 places.

WEST MIDLANDS

Teacher training should cease at North Worcestershire College but the provision at Worcester College of Higher Education should be increased from 650 to 750 places. Madeley College should amalgamate with North Staffordshire Polytechnic with a reduced teacher training provision of 400 places.

The provision at Birmingham Polytechnic should be reduced to 350 teacher training places and at the West Midlands College to 500 places.

EAST MIDLANDS

Initial training at Eaton Hall College should cease. Provision for courses in craft, design and technology should be transferred to Trent Polytechnic if suitable arrangements could be made.

EAST ANGLIA

The Peterborough Annexe of Kesteven College should close. Discussions for the incorporation of Keswick Hall in the University of East Anglia should proceed on the basis of a reduced teacher training provision for 400 places

GREATER LONDON

Teacher training should cease at the Bromley Institute of Higher Education, Ealing Institute of Higher Education, the Polytechnic of Central London and at the College of Philippa Fawcett and Furzedown

Further consideration should be given to the organisation of teacher education in the remaining ILEA institutions within a total of 2,000 places, with adequate provision for mature students.

All Saints College and Middlesex Polytechnic should amalgamate, with a total provision of 750 teacher training places and preservation of the college's contribution to teaching in multi-racial schools and of home economics.

The initial teacher training provision at the North-East London Polytechnic should be reduced to 100 places for post graduate and post-DipHE courses. Provision of teacher education in the Roehampton Institute of Higher Education should be reduced to 1,200 places, and at St. Mary's College, Twickenham, from 900 to 700.

Provision of teacher education at Kingston Polytechnic should be reduced to 400 places and the Guildford Outpost closed.

SOUTH EAST ENGLAND

Initial teacher training should be discontinued at the following institutions. Buckinghamshire College of Higher Education; Milton Keynes College; Colchester Institute of Higher and Further Education; Nonington College; Portsmouth Polytechnic; the Crawley Outpost of the West Sussex Institute of Higher Education.

Initial teacher training should also cease at the East Sussex College of Higher Education, except for the provision at the former Chelsea College for Physical Education, which should be continued as part of Brighton Polytechnic, where total provision should be increased from 600 to 1,000 places. Christ Church College, Canterbury, should continue with a reduced provision of 500 places.

SOUTH WEST

Initial teacher training should cease at Rolle College and at the Camborne Outpost. The provision in the Gloucestershire Institute of Higher Education should be reduced to 500 places; teacher education in home economics at the Gloucestershire College should be discontinued, and St. Mary's and St. Paul's Colleges should be amalgamated on the St. Mary's site.

WALES

Initial teacher training should cease at the Polytechnic of Wales and at West Glamorgan Institute of Higher Education.

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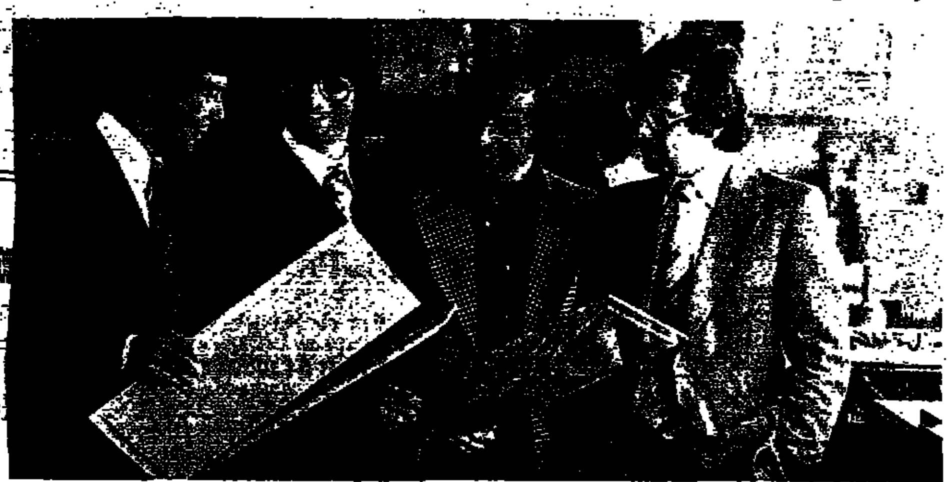
Export-led expansion

Expansion for Jaycee has always been export-led. Their Tudor, Jacobean and Regency



The top professional people in Jaycee's top jobs. Left to right: B. K. Matthews, Manufacturing Director; C. Cohen, Managing Director; J. M. Firisen, Sales Director, and J. R. A. Wallis, Finance Director.

style cabinets, tables and chests are in demand throughout Europe, America, and even as far as Japan. They won a Queen's Award for Exports in 1968 and again in 1973.

The secret behind Jaycee's growth has been their discovery of how to combine modern production methods with traditional craftsmanship without losing traditional quality. That gave them the edge in exports.

THE QUEEN'S AWARD TO INDUSTRY

Jaycee have won Queen's Awards for Exports in 1968 and 1973.

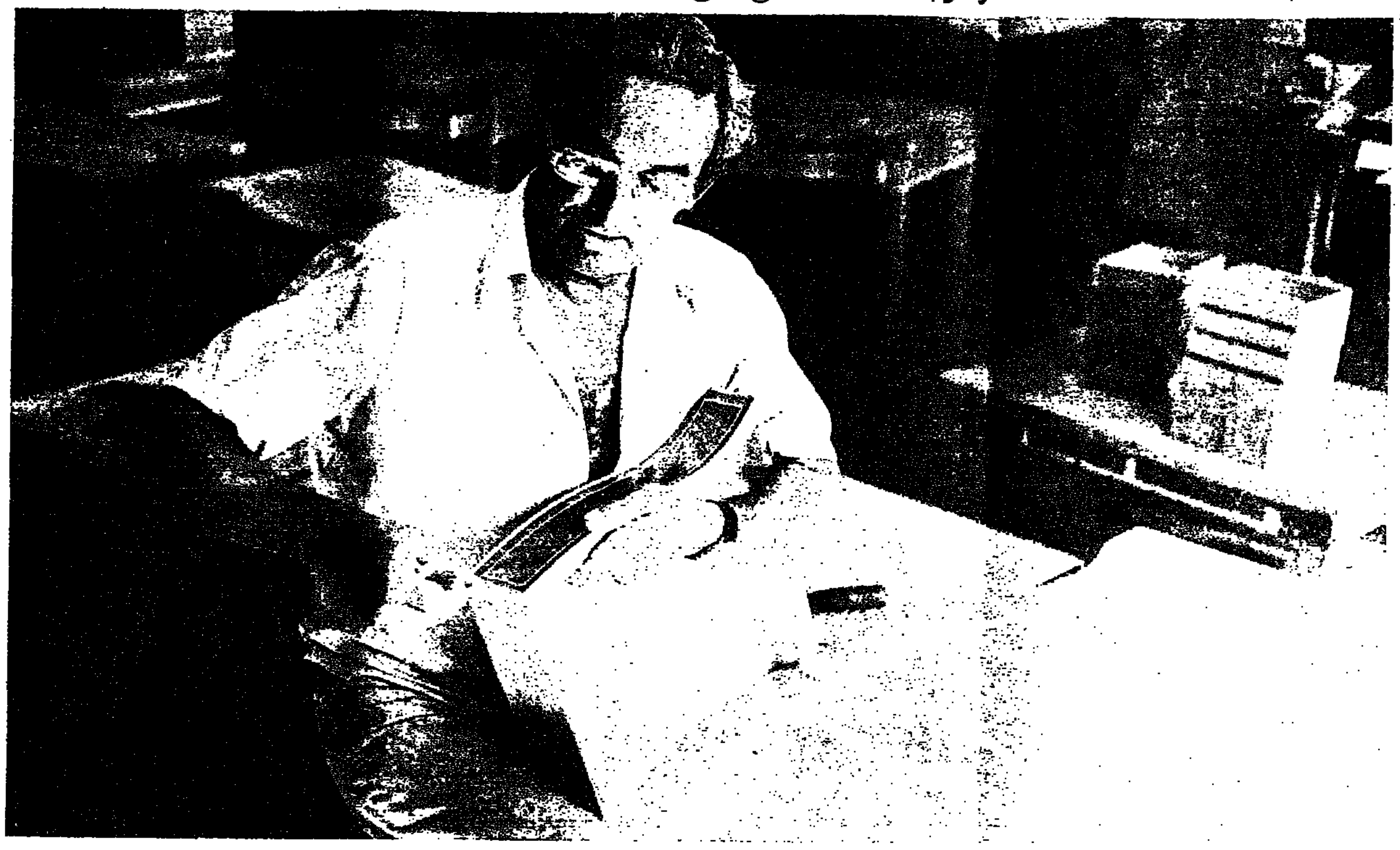
Dr Cohen, whose father started the company in 1947, explains:

"More than 60% of our production goes abroad. I think it's true to say we couldn't have grown so fast without exports.

"Promoting our goods"

"My father realised that once some of our larger European customers were sure we could supply their requirements reliably, they would put much more effort into promoting our goods.

"Midland Bank Group has helped Jaycee achieve this– assisting in improving their cash flow by setting up export financing facilities backed by ECGD."



Jaycee products are made in the traditional way.

The carver works on each panel individually, after high-speed machines turn them out roughly-shaped.

Reorganising in Europe

Jaycee recently had an opportunity to buy out the minority shareholders in their German marketing subsidiary. Midland Bank International Division moved swiftly and the deal went through, enabling Jaycee to reorganise their German company, whose sales are now expected to increase by 40% next year.

Midland Montagu Leasing, another company in Midland Bank Group, has also played an important role in Jaycee's export drive. Says Dr Cohen: "We like to deliver our own products safely in our own fleet of vehicles; the trucks we use cost £14,000 a time. We lease most of them, so as not to tie up our capital."

Applying the gold leaf to a skivered desk top.

Help from Forward Trust

Dr Cohen and his finance director work very closely with their local Midland manager, Eric Root, at Brighton's North Street branch, discussing all their plans in detail with him.

"He can help us directly through his branch, or introduce us to specialist companies in the Midland Group. For example, Forward Trust has helped us with instalment finance.

"You can practically see the bank's eyebrows shoot up when we tell them about our next new project. But once we've convinced them of our case, they back us to the hilt."

Applying the final polish to a Regency-styled Butler's Tray.

How Midland Bank Group can help

The companies that make up Midland Bank Group can help your company in many different ways. Their services include facilities for term loans, leasing, hire purchase, merchant banking, equity capital for growth companies, international insurance broking and advisory services, international and export finance, travel, factoring, investment management and trust services. Also for very large companies, Midland's Corporate Finance Division has a select team that can work directly with the company to make the best possible use of the wide range of Group services.

Talk to your local Midland manager–he can put you in touch with all the right people.

Midland Bank Group

Principal trading companies: Midland Bank Limited, Clydesdale Bank Limited, Clydesdale Bank Finance Corporation Limited, Clydesdale Bank Insurance Services Limited, Scottish Computer Services Limited; Northern Bank Limited, Northern Bank Development Corporation Limited, Northern Bank Executor and Trustee Company Limited, Northern Bank Finance Corporation Limited, Northern Bank Trust Corporation Limited; Midland Bank Trust Company Limited, Midland Bank Group Unit Trust Managers Limited; Midland Bank Finance Corporation Limited, Forward Trust Limited, Midland Montagu Leasing Limited, Griffin Factors Limited, Midland Bank Trust Corporation (Jersey) Limited, Midland Bank Trust Corporation (Guernsey) Limited; Midland Bank Insurance Services Limited; The Thomas Cook Group Limited, Thomas Cook Limited, Thomas Cook Overseas Limited, Thomas Cook Bankers Limited; Samuel Montagu & Co. Limited (incorporating Drayton), Drayton Montagu Portfolio Management Limited, Guyerzeller Zurmont Bank AG, Midland Montagu Industrial Finance Limited, Jersey International Bank of Commerce Limited; Bland Payne Holdings Limited, Bland Payne Limited, Bland Payne Reinsurance Brokers Limited, Bland Payne (UK) Limited, Southern Marine & Aviation Underwriters Inc., Bland Payne Australia Limited; London American Finance Corporation Limited, British Overseas Engineering & Credit Company Limited, Drake (UK) International Limited, Drake America Corporation, Export Credit Corporation.

LABOUR NEWS

The peaceful picket problem

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE CONTROVERSIAL issue of picketing will come before the courts today when Massey Ferguson seeks an order in the High Court for repossession of its Coventry tractor plant.

Pickets have been imposed at the Banner Lane factory since before Christmas by the 1,150 strikers; another 4,500 workers are idle and production has been brought to a standstill. Lost output, 80 per cent. of it for exports, already totals £28.8m.

Today's hearing is not seen by the Department of Employment as a major test case, but it will be important in providing another interpretation of the conditions under which picketing can be regarded as peaceful.

This will be the second time in less than two years that the British subsidiary of the Canadian-based conglomerate has resorted to the courts to end a strike action which has already brought accusations that hard-line North American management practices are being imported.

Mr. Phil Povey, regional officer of the Amalgamated Union of Engineering Workers, denounces the company's action as "foreign and alien to the sort of factory spirit we try and maintain in this country."

Rather than negotiating, he claims, the company had opted for confrontation—a move which would store up bitterness and problems for the future.

Certainly feelings are running high at the moment. Some strikers have already burned their court summonses as a gesture of defiance.

To-day's legal action is very similar to that taken by Massey in June 1975, to resolve a five-week pay strike by its manual workers.

Pickets were alleged to have occupied the administration office block and prevented entry to the site.

The High Court judge granted a re-possession order, but it never had to be enforced. According to the company, the pickets withdrew voluntarily and returned to work to enable negotiations to begin.

To-day's Massey Ferguson hearing will provide another interpretation of conditions where picketing can be regarded as peaceful.

Agreement was reached quickly with no ill-effect on production—indeed, 1976 saw the highest output for five years, the company points out.

The major difference, which has given the present dispute an awkward twist is that the workers are this time divided among themselves.

At issue is the piece rate to be paid to 136 assembly workers fixing cabs of the new 500 series of tractors. The payment fixed could set the pattern of earnings in the plant for the next few years.

The company maintains that after issuing numerous warnings to the men, they were taken off the clock on December 20. A mass meeting of all the manual workers rejected the recommendation of their senior stewards who support the 136.

However, the 1,150 assembly workers unilaterally agreed to give their backing and went on strike. Pickets were imposed on December 22.

The likely basis of Massey Ferguson's submission to the High Court is that the 379 people named in the summonses have been picketing illegally, and its application follows what the company apparently feels to be an effective occupation of the plant.

The company says that the two sets of large entry gates to the plant have been closed—and possibly secured—by the pickets since January 3.

Last Thursday, after the company had announced its legal action, five gates through which management and administrative staff had gained access were closed and secured.

The right to peaceful picketing is firmly entrenched in Statute law. The Trade Union and Labour Relations Act, 1974, states that picketing should be "for the purpose only of peacefully obtaining or communicating information or peacefully persuading any person to work or abstain from working."

Citizens have the right in common law, now being exercised by Massey Ferguson, to seek redress through the courts when it is felt picketing extends to the point of obstruction, trespass or intimidation.

The Labour Government provoked controversy and vigorous Parliamentary opposition in 1974 with its proposal to extend the right to picket.

In the consultation document preceding the Employment Protection Bill, the Government suggested that pickets should have a more effective right to communicate with the occupants of vehicles.

That provision, which could have had a bearing on the Massey Ferguson issue, was eventually dropped.

The Department of Employment last night described the Massey Ferguson hearing as one of a series of cases — though fairly rare — which would increase knowledge of how peaceful picketing should be interpreted.

Important as the ruling may be, it does not solve the problem of getting the Massey Ferguson workers back. Union officials are reluctant to commit themselves firmly as to whether or not the strikers will co-operate willingly with any decision of the High Court.

But for a settlement, someone will have to give way from the present entrenched position. The company has made it a pre-condition of any negotiations that the 136 should first return to work and demonstrate that they are prepared to put in the necessary effort to produce the target of 48 tractors an hour.

A company spokesman last night rejected the accusations about hard-line American tactics. "Our policy as a company is to conform with the customs, practices and legal requirements of any country in which we operate," he said.

Fall in local authority manpower

LOCAL authority manpower has fallen for the first time, according to quarterly figures published by the Government and local authorities yesterday.

Although the number of full-time workers increased by 2,498 in the year to September, 1976, the number of part-timers employed fell by 27,414 (equivalent to 5,117 full-time jobs).

4-1 vote for Halewood strike

BY OUR LABOUR CORRESPONDENT

PRODUCTION at Ford Motor's troubled Halewood factory on Merseyside is expected to grind to a halt again to-day as a result of an unofficial strike by 5,000 workers in the metal-stamping and body plants.

A mass meeting in the Liverpool Boxing Stadium yesterday decided by a majority of four to one to accept the shop stewards' recommendation to strike until there is an improved relationship with management.

Shop stewards maintain that relationships with management have reached an all-time low. There were several disputes towards the end of last week. The workers are particularly concerned about the possibility of redundancies due to introduction of the new Fiesta and increased prices of the Halewood-assembled Escort.

Another grievance, claim the stewards, is that they are prevented from representing workers like the welder whose dismissal for alleged vandalism sparked off a dispute last week.

Mr. Moss Evans, Transport and General Workers' Union national organiser and chairman of the Ford union negotiators, has been asked to intervene. He spent six hours at the plant last week trying to restore peace, and offered to return if required.

A Ford spokesman last night denied the stewards' allegations about representation procedure and possible redundancies. The company had no intention of eroding the unions' rights, and there were no fears of redundancies.

Ford could sell as many cars as it could produce and the biggest threat came not from the new Fiesta but from sudden stoppages such as the present one, he said.

A total stoppage at Halewood would prevent production of some 800 Escorts, worth about £1.8m. in retail terms, he added.

APPOINTMENTS

J. F. Insch heads Birmid Qualcast

Mr. James F. Insch, deputy chairman of BIRMID QUALCAST, has become chairman. He succeeds Mr. Robert Leigh-Pemberton who has relinquished that position prior to his appointment in April as chairman of the National Westminster Bank. Mr. Leigh-Pemberton remains a non-executive director of Birmid Qualcast.

★

Sir John Clark, chairman and chief executive of the Plessey Company, has accepted an invitation from the Prime Minister to serve on the REVIEW BODY ON TOP SALARIES.

★

Mr. Harold Glover, controller of the Stationery Office and formerly deputy master and comptroller of the Royal Mint, is to join INCO as its consultant on coinage from February 1, when he retires from his Government post. He will advise Inco on coinage matters, with particular emphasis on the use of nickel and cupro-nickel.

★

Mr. P. W. Sharman, a director and chief general manager of the Norwich Union Insurance Group, has been elected chairman of the LIFE OFFICES ASSOCIATION. He succeeds Mr. K. H. Allen. Mr. L. G. Hall has been elected deputy chairman of the Association. He is a director and general manager of the Clerical Medical and General Life Assurance Society.

★

Mr. J. F. James has been appointed managing director of COMPAIR CONSTRUCTION AND MINING, one of the major operating companies of the CompAir Group, from March 1. He will be succeeded as managing director of Hydrovane Compressors, also a CompAir company, by Mr. E. R. W. Jordan, who is Hydrovane's director of engineering.

★

Lt.-Col. Harry Llewellyn, who was invited by ALBANY TRAVEL (INTERNATIONAL) to become chairman last month, has not been able to take up that appointment because of other commitments.

★

Mr. J. C. Kelly has been appointed a director of THOMPSON GRAHAM (REINSURANCE BROKERS), Mr. S. T. Emanuel and Mr. M. S. Hill, directors of THOMPSON GRAHAM INSURANCE SERVICES, and Mr. M. F. Baird, a director of THOMPSON GRAHAM (UNDERWRITING MANAGEMENT) from February 1.

★

Mr. Michael Price has been elected chairman of the BRITISH INCOMING TOUR OPERATORS ASSOCIATION. Mr. Patrick Edgington, Mr. Harry Kotz, Mr. Verite George, Mr. Laurie Taylor-Hinds, Mr. Eric Home, and Mr. Martin Drew have been elected to the executive committee.

★

RICHARDSON HICK AND PARTNERS has been formed in association with Armour Hick Parker to provide a full insurance broking service on all classes of insurance and for various veteran and vintage motor insurance schemes. Directors of the new company are Mr. R. Michael Hick, Mr. R. L. Richardson, Mr. Sidney G. Richardson and Mr. D. S. Whitehouse.

★

Mr. Keith Trickett has been appointed managing director of COMPEDA, the new subsidiary of the NATIONAL RESEARCH DEVELOPMENT CORPORATION. Mr. Trickett was joint founder and managing director of Digico.

★

Mr. Cyril Mulcaster, managing director of Rush and Tompkins Scotland, has been appointed a director of RUSH AND TOMPKINS LTD.

★

Mr. David J. Barter has been appointed managing director of the CROYDEX COMPANY. He was joint managing and production director. Mr. Gordon Hammond, formerly chairman and joint managing director, is now non-executive chairman.

★

Mr. Patrick Griffith, chairman of Turner and Newall, has been elected vice-chairman of the BRITISH ROAD FEDERATION.

★

Mr. B. R. Bensly, managing director of Mirrlees Blackstone, has been appointed chairman of BRITISH INTERNAL COMBUSTION ENGINE MANUFACTURERS' ASSOCIATION. Mr. J. Moore, commercial director of Ruston Diesels has been made vice-chairman of the association.

★

Mr. David Hurley, managing director of Visionhire, has been appointed chairman of the council of the NATIONAL TELEVISION RENTAL ASSOCIATION for 1977. He succeeds Mr. Sidney Parker, who remains a member of the council. Mr. Bryan Quilter, managing director of Granada TV Rentals, has been made deputy chairman of the association.

★

Mr. D. A. Blaikie has been appointed a director of the BRITISH AVIATION INSURANCE COMPANY on the retirement from the Board of Mr. A. Macdonald.

★

Mr. James R. Greene, has joined the Board of AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION, and has been elected executive vice-president. He was previously with Manufacturers Hanover Trust.

★

Chubb and Son has formed CHUBB ELECTRONICS into which it is proposed to merge Chubb Alarms, Chubb Integrated Systems, ICC Machines, and Cross Cash Registers. Initial appointments to the Board of the new company are Mr. W. E. Randall, chairman, Mr. D. N. Dring, managing director, Mr. K. F. Rankin, deputy managing director, and Mr. D. J. Potter, financial director. Pending the full implementation of the merger all the companies involved will continue to trade in their own name and right. Mr. D. J. Potter is to resign as financial director of Chubb and Son and will be succeeded by Mr. J. F. McArthur. Mr. W. G. Bannochie becomes managing director of Chubb and Son's Lock and Safe in place of Mr. McArthur.

★

Mr. John Fawthrop, Mr. Charles Irby and Mr. George Maclean have been appointed assistant directors of BARING SANWA MULTINATIONAL, Hong Kong. Mr. Fawthrop and Mr. Maclean are with the banking department, where Mr. Elawthrop was previously a manager. Mr. Irby was also a manager, and at the beginning of the year assumed responsibility for the corporate finance department.

Further efforts to solve delivery drivers' strike

BY OUR MIDLANDS CORRESPONDENT

NEW EFFORTS to solve the strike by the 270 James Car delivery drivers before it causes widespread disruption at Leyland's Midlands car plants, were being made last night.

Pickets are preventing the despatch of finished vehicles from Leyland Cars plants at Longbridge and Solihull. Models held up include the award-winning Rover 3500, the Mini, Allegro and Triumph range of cars.

The drivers are protesting at Leyland's decision to bring in extra car delivery companies at Solihull where James Car handles 85 per cent. of the withdrawals.

Proposals for a return to work drawn up in five hours of talks between James Car and senior Leyland management, including managing director Mr. Derek Whittaker, have been rejected by the men.

Mr. Doug Fairbairn, West Midlands divisional officer of the Transport and General Workers' Union, said last night that the drivers were urging Leyland to withdraw its proposals.

While the men would agree to other companies coming in, they wanted guarantees of the number of vehicles that James Car would handle, in order to ensure job security.

The men also required an assurance that drivers from other companies would be paid equally—James Car drivers receive about 25 per cent. more than men from other delivery companies, Mr. Fairbairn said.

James Car has forwarded the men's demands to Leyland and is pressing for a meeting to discuss the issues.

BR suspends non-unionist reinstated by tribunal

BY OUR LABOUR STAFF

BRITISH RAIL yesterday suspended a non-union railwayman who was recently reinstated in his job by an industrial tribunal, because other workers threatened to strike.

Mr. Dennis Goodbody, who works at Newton Abbot, was dismissed under BR's closed shop agreement in October after refusing on religious grounds to join the National Union of Railwaymen. He then won an industrial tribunal ruling that he should get his job back, but NUR members between Taunton and Penzance said yesterday that they would strike if he returned to work.

A BR spokesman said that Mr. Goodbody had been asked to go on extended leave because of the threat of union action. "There will now be further consultation between the management of British Rail and the union."

Mr. Cyril Perry, NUR Plymouth district branch secretary, said that Mr. Goodbody had been offered the chance of making a donation to a charity of his choice instead of paying union subscriptions, but had refused. "He wants all the benefits of union membership but none of the responsibility."

Newsmen continue strike

A MANAGEMENT formula to end a seven-week-old strike by 70 journalists employed by Northamptonshire Newspapers, Kettering, was rejected yesterday.

A spokesman for the journalists said that they had decided by a five to one majority to continue the strike, and also called for further and immediate talks through the Advisory, Conciliation and Arbitration Service.

The journalists' chapels (office branches) are to ask the National Union of Journalists executive council to increase strike pay from £25 a week to £30.

The dispute is over a claim for improved expenses, premium time off, maternity and paternity leave, and personal accident insurance cover.

At talks last Thursday, the management offered to negotiate a one-year agreement instead of a three-year agreement and discuss outstanding fringe benefits if there was an immediate return to work with no further sanctions. But the journalists regard the offer merely as a return to the status quo.

Union threatens Hull MPs

A UNION official threatened yesterday to urge his 8,000 members to stop supporting the three Labour MPs for Hull unless they made a greater effort to get more work for North Humberside.

Mr. Walter Joester, Hull district secretary of the Amalgamated Union of Engineering Workers, said he had written to the MPs that unless they did more with the Government to have work directed to Hull and North Humberside the district committee of the union would withdraw its support, financially within the constituencies and on the ballot paper.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● GRAPHICS

Master drawings made erasable

SAVINGS OF up to 80 per cent. of drawing office time in certain operations are being achieved by a new photo-drafting process offered by Photo Circuits of Barton-le-Cley, Beds.

Master drawings can be reproduced from microfilm on moist-erasable translucent film. The material is Du Pont "Crovex" reprodrafting film.

Previously, a microfilmed drawing could only be enlarged to paper or photographic film, both of which are unsatisfactory as translucent masters for subsequent revision and alteration. The drawing therefore had to be retraced on a suitable drafting surface, with all the attendant risks of error and the necessity for rechecking, usually by the more experienced and highly paid draughtsmen. For a detailed engineering drawing all this might take three days of a draughtsman's time, and cost perhaps £125.

Photo Circuits provides a moist-erasable master on the good drafting surface of the dimensionally stable "Crovex" film in a fraction of the time for about an eighth of the cost.

Print remains permanent and does not discolour or deteriorate with age. Furthermore, Photo Circuits can provide, as an intermediate stage, an A4 print of any drawing for use in manuals, handbooks, etc.

Pressure to obtain quick reproduction and speedy return of original drawings is a constant cause of concern for drafting and reproduction supervisors. Tray processing and air drying are too slow.

Sometimes, diazo or electrostatic reproductions are used for the sake of fast service, but at a sacrifice of quality. The Crovex method provides an alterable master in under a minute.

Crovex engineering reproduction and drafting films, processing chemicals and the processor are produced by the Photo Products Department of the Du Pont Company at Hawkesden Road, St. Neots, Huntingdon, Cambridgeshire PE19 1QS. (Huntingdon 75341). Photo Circuits, Barton Industrial Estate, Faldo Road, Barton-le-Cley, Bedfordshire (Luton 881881).

● PACKAGING

Strappers made in Switzerland

DESIGNED AND built in Switzerland, a range of strapping machines is to be marketed in the U.K. by F. A. Power, Adderley Road, Saltley, Birmingham (021-327 3601), a GKN Group company. They will be sold in conjunction with the company's polypropylene strapping material, Polyband.

Called the Powerstrapper range, there are three types of machine, each available in a choice of models. These are a fully automatic, a semi-automatic with manual band application, and a table-top model (a derivative of the semi-automatic).

All use the same electric heat sealing method, which is stated to produce a joint with 90 per cent. of the strength of the strap. Many of the machines' components are interchangeable, and include a new band tension control system.

Gears have been eliminated from the operating mechanism, being replaced with toothed or V-belts, to reduce lubrication and maintenance requirements. Maintenance is further reduced by the use of corrosion resistant materials for the working parts.

Each machine is constructed on a modular basis which makes possible an almost infinite choice of working heights and configurations.

● INSTRUMENTS

Lower cost signal recorder

ANALOGUE instrumentation cassette recorder DA 1432-4 put on the market by Data Acquisition is intended to provide an inexpensive alternative to the larger and more expensive reel-to-reel machines.

It provides four recording channels each of which can be operated in either direct or FM mode; the former is suitable for signals in the frequency range 50 Hz to 8 kHz while the FM mode caters for signals from DC up to 1.25 kHz.

Each channel has switched record sensitivity covering 0.1 to 10 volts together with three carrier filter cut-off frequencies on FM. A choice of FM carrier frequencies is provided corresponding to the IRIG wide and intermediate band operation.

Good monitoring facilities allow checking of both record and playback signal levels and there is an electronic "tape consumed" indicator. There are facilities for voice annotation between data blocks and for low frequency noise compensation.

The recorder weighs 7 kg and measures 290 by 165 by 250 mm. More from Brookfield House, Hopes Carr, Stockport, Cheshire (061-477 3883).

● PERIPHERALS

Telex disc market widened

DEVELOPMENT by Telex of a controller which will allow it to attach its disc sub-systems to the integrated controllers on IBM 370 central processors should significantly widen its disc market.

The new controller, which Telex is calling the 6333 (equivalent to the IBM 3333), was developed at the Telex Centre in Feltham and is being manufactured at the Telex plant in Tulsa, Oklahoma. It will be sold by Telex in the United States and is probably the first product developed in Europe for the U.S. plug-compatible market. The Telex 6333 controller also has a "dual porting" option for the attachment of a pool of drives.

This dual-porting feature allows two controllers to share access to a pool of drives, instead of individually controlling a string of drives. The advantage is that if a controller goes down, the drives can be switched to the other controller. Dynamic dual porting, available with Telex's free-standing controllers, allows drives to be accessed automatically through whichever controller is available.

Telex Computer Products, 213 Oxford Street, London W1R 1AH. 01-734 9131.

A Telex engineer at the company's U.K. centre working on the controller.

● METALWORKING

Projector drill at low cost

LOW COST optical drilling equipment of a new design is easy to use. The machine is electrically operated and does not require an air supply as with most other projector drilling machines. Attention has been given to providing a large screen with high intensity illumination and clear definition thus reducing operator eye strain.

The precision projection system uses a lens of long focal length, to allow ample clearance over the drilling table, in conjunction with two high intensity fan cooled lamps to provide a bright image on the 5½ inches diameter screen.

The high speed (17,000-19,000 rpm) drilling head is foot-operated, through a counter-balanced linkage for maximum sensitivity, leaving the operator with both hands free for positioning the board.

A safety guard is fitted around the chuck and a lamp is provided at the drilling spindle for ease of drill change. When this lamp is switched on the drill motor cannot be started.

This Circuitape drill brings precision, optical drilling within the reach of development departments and short run producers.

The company is at 33, New Street, Aylesbury, Bucks.

Portable power saw

PORTABLE, a circular saw of Italian design is for metal cutting on site. Driven by an electric motor, the saw has a maximum capacity of 60mm. diameter tube and 80 by 40mm. section.

The cutting head can be rotated for mitre cuts up to 45 deg. without disturbing the workpiece. Cutting is stated to be fast—it cuts a 50 by 6mm. mild steel bar in six seconds. Standard equipment includes a re-circulating coolant system, length stop and two-piece automatic saw-blade guard linked to the movement of the cutting head.

Called the Mini Brown, the machine is supplied with a wooden carrying case which can be converted into a rigid pedestal for the machine if no bench is available.

Marketing in the U.K. is by the Addison Tool Company, Westfields Road, London W3 ORE (01-993 0141).

● COMPUTING

Solicitors' automated accounting

OYEZ, the Solicitors Law Stationery Society, estimates that the U.K. market for the new Logabax solicitors' accounting system, the LX2010, which it is marketing, is between 100 and 200 systems a year initially.

This is, at a price of £4,650 plus VAT, business that would bring in between £½m. and £1m. in the first year. The price includes standard applications programs for accounting, payroll, and time costing, as well as staff training and machine installation.

Logabax expects to launch a general version on the U.K. market later this year, working through distributors. The system in its basic form will sell at around £4,000, and the latter company in turn expects to do about a £1m. worth of business in the U.K. in the first year. The system was first launched in France last September—the company has so far delivered between 300 and 400 and expects to produce around 2,000 this year.

LX2010 follows the current trend towards operations through a subset of plain language, and is intended to be used by people without any computing skills.

The equipment is operated through a Cobol-type language called LOG, which allows the user to program using a basic set of 12 instructions, easy to learn and obviating prior computing skills.

The system itself is a stand-alone unit comprising keyboard, printer and computing modules. Programs are cartridge-loaded. The "Keyboard" has three specialised sectors, alpha-numeric, numeric, and function.

A digital display allows for visual verification of the data entered.

Oyez equipment is programmed to handle values of outstanding bills, work in progress, and disbursements not yet billed. There is provision for income analysis from up to 99 fee earners and 10 departments, as well as 7 VAT categories, and a complete audit trail is possible.

More from Oyez on POB 55, 237 Long Lane, London SE1 4PU. 01-407 8055.

ICL passes Swift test

ICL HAS been prompt to react to the news of delays to the Swift international banking network and has disclosed that the computer equipment and associated software developed by ICL to provide banks with the link to the network has passed its acceptance tests for "live" processing of financial transactions and messages.

This seal of approval was given at the beginning of December by the Society for World Interbank Financial Telecommunications SC (Swift), a non-profit service organisation set up to develop and operate an international, computerised network for the transfer of financial messages.

ICL (through its Singer acquisition) has been selected by Swift as a primary supplier of terminal systems for use by member-banks throughout the world. The ICL Swift Interface Device (SID) is based on the 1500 series of transaction terminals, 5,000 of which have been sold in world markets.

As a result of this decision, the 15 banks in Belgium, Germany, Switzerland and the U.K. which have already installed ICL interface devices will be ready to use the new network when "live" working begins in the near future.

Messages and acknowledgments will be transmitted through the Swift network at much greater speed than is possible with the telex systems now used by many banks. 01-788 7272.

Plessey's move in memories

FOLLOWING ITS surprise appearance in the market for add-on memories for the evergreen ICL 1900 machines, Plessey has announced a number of new models in the "Memory Miser" series.

They are for users of 1903T and 1904A machines and provide direct competition to the ICL equivalents, enabling operators to increase memory with blocks starting at 16k words and increasing by this increment up to a maximum of 131k words in a single cabinet.

Plessey claims up to 54 per cent. saving, or over £100,000 in some cases on the equivalent ICL units.

More from Plessey Memories, Water Lane, Towcester, Northants. Towcester (0327) 50312.

PLANT AND MACHINERY

هكذا من الاصل

FINANCIAL TIMES SURVEY

Tuesday January 25 1977

AUSTRIA

Helped by the consensus between labour and industry the Austrian Government has so far contrived to spend its way out of the world recession. But a high price has been paid in the form of budget and external deficits.

Chinks in the armour

By W. L. Luetkens

ISLE OF THE BLESSED: that is the term Austrian journalists like to apply to their country. Hope or irony? At bit of both, with a measure of pride mixed in.

The causes for pride are by now well known. The country has weathered the world recession better than most so far; prosperity is widespread and obvious; there is a far-reaching consensus between both sides of industry and the major political parties — however wordy their conflicts are before the ultimate settlement. All these things have aroused much envy elsewhere in the world.

Yet a note of irony has prevailed of late, when the newspapers repeated that cliche about the Isle of the Blessed. A number of things have been going wrong which while by no means disastrous in themselves have made it less certain that Austria is quite as well run as once thought.

During the summer one of Vienna's bridges collapsed into the Danube; the routine inspections had apparently become rather too much a matter of routine. Another has had to be closed because it too was no longer as strong as it used to be. A construction company associated with the Viennese municipality lost a lot of money without securing the orders from Arab countries which the expenditure was supposed to facilitate. The courts absolved the management of anything heinous, but were scathing about its competence.

Since Vienna is a Socialist stronghold harbouring about a fifth of the Austrian population all of this was grist to the Opposition's mills. When the Defence Minister, Brigadier Karl Luetgendorf, a non-party man serving in Dr. Bruno Kreisky's Socialist Government, appeared to question certain provisions of the State Treaty with the World War II Allies, which committed Austria to neutral status, the critics had another field day. Brigadier Luetgendorf appeared to be asking for air defence rockets. Dr. Kreisky put him in his place, secure in the knowledge that the State Treaty is not a matter of party controversy — and that a realistically unheroic assessment of the country's military potential is general among the population.

Wagged

Tongues probably wagged far more when a bright journalist discovered that the Government had spent the equivalent of about £300 on a huge birthday cake for a revered orchestral conductor. Dr. Kreisky grumbled about the Press, the Press grumbled about him, a People's Party member of parliament went as far as invoking Watergate (to the secret annoyance of his leaders), and the storm blew over. So in all probability will the rest.

But there is little doubt that the prestige of the Government has suffered. Public opinion polls about party followings are not usually published in Austria, but those taken for the parties show that the Socialists, after preserving their absolute majority in the election of 1975 have slipped back into a position of relative majority only. Since the next election is not due before 1979 that need not mean very much, especially since the personal prestige of the top leaders seems to have stood up well. Herr Leopold Graz, the Mayor of Vienna, has hardly suffered in popularity polls despite the obvious deficiencies of the administration under him.

There are few who doubt that Dr. Kreisky—by now a sort of grandfather figure—will once again lead the Socialists in the 1979 campaign, and that he will once more prove a hard man to beat. By then, however, Dr. Josef Taus, who was chosen to lead the People's Party in 1975 when his predecessor died a few months before the campaign began, will have had a better chance to make his mark with the electorate.

There is something rather typical of Austria about the Kreisky-Taus confrontation. As Herr Taus himself likes to point out, he, the (relatively) poor man's son, leads the party of business (which largely means small business in Austria), whereas the Socialist Dr. Kreisky is the scion of a well situated bourgeois family. Of course that is a coincidence, yet it is one that may help to an understanding of why the Austrians have decided to remain on the road of consensus. They have a mixed economy, of which Dr. Kreisky himself says that he cannot see any cause at present for major redistributive measures, and the country is small enough for all those who matter to know each other intimately.

Shrewd

That is true in particular of the extremely shrewd top representatives of the two sides of industry, Herr Anton Benya, head of the trade union federation (OeGB), and Herr Rudolf Sallinger, president of the chamber of commerce organisation, of which all businesses have to be members. Many have been the occasions when wage negotiations or rows about proposed price increases appeared to have rent asunder the vaunted system of social partnership, until the two men disappeared for a tête-àtête and returned as *dei ex machina* with an acceptable solution.

Hence it is a very real problem—whether social partnership, being a matter of personalities rather than institutions, will survive men like Herr Benya and Herr Sallinger. There are arguments to support either view, but there is no denying that Austria has travelled a long way since 1934 when social tensions led to civil war. The present generation will prove hard to replace, but their successors will have grown up under conditions where consensus has been the natural state of affairs.

In the present state of the Benya-Sallinger exchanges, the trade union leader has announced that he hopes for real wage increases of 1-2 per cent. this year—and in the interests of international competitiveness no more. He expressly includes industries like construction or the public service which do not compete on foreign markets, because of the indirect effects that their wage rises have elsewhere.

That is a wage policy that Austrian industry should be able to live with. None the less, over the years wage costs have crept up to levels uncomfortably high, given that Austrian productivity is inevitably below that of the Germans; the smallness of the market and the consequent absence of economies of scale sees to that. During the recession that problem has been exacerbated by a deliberate policy of holding on to men who really were redundant. Not only the State-owned industries pursued this course: many private employers did the same, from loyalty or because they expected a better economic climate shortly.

Expansion

The indications during the second half of 1976 did in fact point in that direction, though industry is rather less optimistic than are the economists, and though the situation in December looked a little less rosy than in the autumn. The best guess at the moment is that expansion will continue, but that it is unlikely to assume boom-like proportions. The budget for 1977 is no longer expansive and one can probably exclude the possibility that the Government will decide to release the contingency budget drawn up in case the economy requires another boost.

How well things go will depend largely upon factors beyond Austria's control; whether the U.S. economy takes off again, and that of the Germans; and whether Italy and Britain solve their problems. Foreign influences on Austrian export markets are too strong for there to be any such thing as an autonomous Austrian economic policy. In this context especial importance attaches to the almost complete disappearance of growth of revenue from foreign tourists. It is small consolation that some of Austria's competitors have been hit rather more badly.

The tourist trade is not only an important factor in the Austrian balance of payments; it has also proved a stimulus to much other economic activity, construction being only one, albeit the most obvious, example. Structural problems may therefore arise, as from the erosion of the international advantage that Austria used to enjoy from low wage costs. Political complications could arise because an unusually large number of school leavers will be looking for work in the next five years.

Yet an inflation rate of about 7½ per cent. last year, expected to fall to 6½ per cent. in 1977, together with an unemployment ratio below 2 per cent., do justfy the economic policy so far pursued. The Government claims that its deficit spending in 1975 and 1976 saved 14,000 jobs and added 1.5 per cent. to GNP in each year. That looks like a classic case of spending one's way out of trouble.

By 1978 it should be possible to tell whether the price was worth paying, for it has been a heavy one. The Government debt has gone from Sch.61bn. (10 per cent. of GNP) at the end of 1974 to Sch.134bn. (19 per cent.) and is expected to rise to Sch.166bn. (21 per cent.) this year: the current account (including leads and lags) had a deficit of Sch.12bn. last year against Sch.400m. in 1975, though this year it may improve to about Sch.10bn.

Financial needs have caused the Finance Minister, Dr. Hannes Androsch, to increase a number of taxes and dues which will add about 0.3 per cent. to a tax quota that has for some time been about 23 per cent. of GNP—but will no doubt take away rather more from his party's popular ratings for the time being. But confronted with the argument that he may have spent his way into trouble rather than out of it if success is found in 1978 to have eluded him, Dr. Androsch says even in that case "We simply had to try"

BASIC STATISTICS

Area	32,375 sq miles
Population	7.5 m.
GNP (1975)	Sch. 654 bn.
Per capita	Sch. 87,021
Trade (1975)	
Imports	Sch. 163 bn.
Exports	Sch. 131 bn.
Imports from U.K.	£164 m.
Exports to U.K.	£204 m.
Trade (1976 to end Nov.)	
Imports	Sch. 187 bn.
Exports	Sch. 137 bn.
Imports from U.K.	£191 m.
Exports to U.K.	£210 m.
Currency: Schilling	£=Sch.29.15

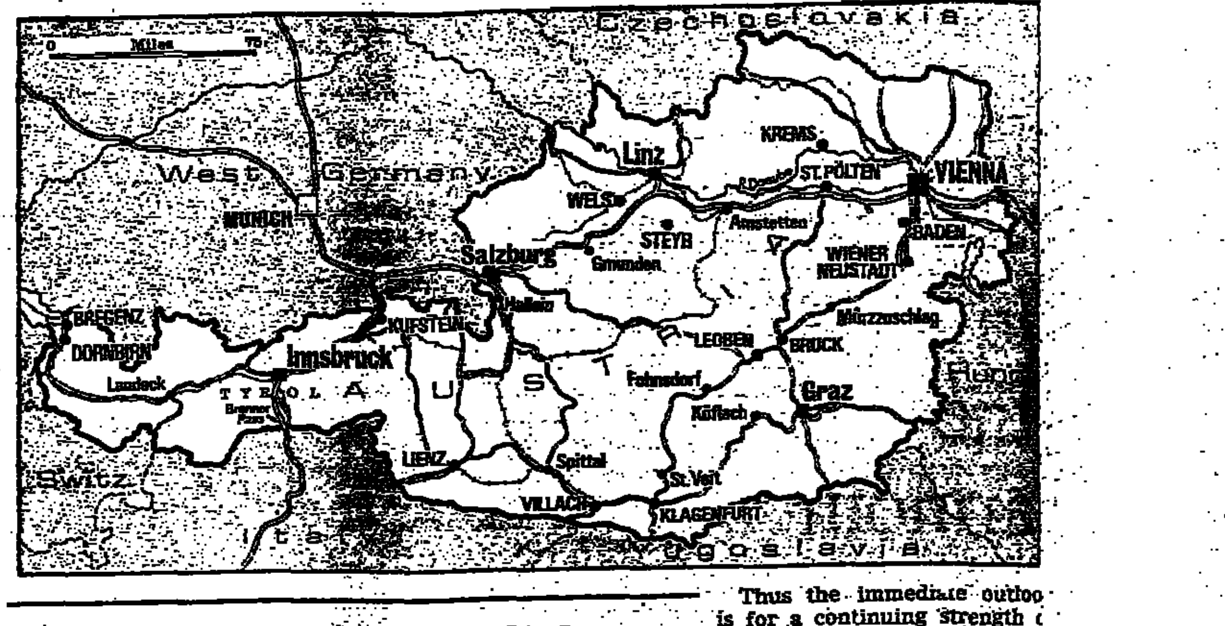
The strength of the Schilling

IN THE BAD old deflationary days between the wars the *Austrian Schilling currency* of a poor, strife-torn country earned the nickname of "dollar of the Alps" for its hardness. Now, some 50 years later, the Schilling again rates among the hardest of currencies, but one really cannot speak of deflation in what has become a prosperous country of a far-reaching political and social consensus.

During the four years from the end of 1972 to the end of last year the Schilling increased *in value* by almost 28 per cent.—so that nobody would dream of likening it to the U.S. currency this time round. Even the powerful D-Mark must yield to *little Austria: the Schilling* gained 1.8 per cent. against it in those four years since the Smithsonian Agreement. Of the major currencies only the Swiss *franc did better*, with revaluation effect of 13 per cent. against the Austrians.

For much of those four years, the Austrian National Bank managed the exchange rate in accordance with a complicated formula intended to maintain a reasonable relationship with a basket of currencies put together to take account of Austrian trade relationships. But of late the Schilling has more or less kept pace with the Germans who, after all, supply 40 per cent. of Austrian imports, take 20 per cent. of Austrian imports, and provide four in five of the tourists whose spending is an important steadying item in the current external account.

Towards the end of last year the idea gained ground that in view of the current account deficit into which payments had fallen, the National Bank would allow the Schilling to decline from an exchange rate of around Sch.7.10 to the D-Mark to a rate of Sch.7.30. The speculation went awry: for the foreseeable future the two currencies are likely to remain in fairly close harness.



PERFORMANCE AND PROSPECTS

	(Percentage change from previous year) 1975	1976	1977
Private consumption (real)	+ 2.5	+ 3.5	+ 3.5
Public consumption (real)	+ 3.0	+ 2.5	+ 2.0
Gross investment (real)	− 5.9	+ 4.5	+ 6.3
Including:			
Plant and equipment	− 8.0	+ 7.5	+10.5
Buildings	− 4.4	+ 2.0	+ 4.0
GNP (real)	− 2.0	+ 4.5	+ 4.0
Merchandise exports (nominal)	− 1.9	+15.5	+14.5
Merchandise imports (nominal)	− 2.9	+23.5	+12.0
Consumer prices	+ 8.4	+7.25	+6.25
Current account (Sch.bn.)	−0.4	−12.0	−10.4
External payments (Sch.bn.)*	+17.8	− 9.0	+ 5.6

* Including leaders and laggards. Source: Girozentrale.

Intertwining

The reasons for this policy are not hard to seek. Structurally, there are the close ties of trade *and tourism and the general* intertwining of the two economies (of which the Austrian, of course, is much the smaller). German cars and consumer durables have dominant market shares in Austria.

But in addition there is a deliberate policy decision of the Austrian Socialist Government to maintain the hardness of the Schilling as a steadying influence upon the domestic price level. How successful it *has been* is largely a matter of viewpoint. Austria has not banished inflation: The Consumer Price Index rose by 8.4 per cent. in 1975 (compared *with 3.9 per cent. in West Germany*); 7¼ per cent. in 1976 (4¼ per cent. in Germany); and according to an OECD forecast will rise by 6½ per cent. this year (4 per cent. in Germany).

By international standards that is not a bad record, even though of late the inflation rate has also exceeded that in the U.S. It looks even better when one recalls that the unemployment ratio has been kept below 2 per cent., seasonally adjusted, *admittedly helped by a limited* repatriation of migrant labour and by fairly widespread short-time working.

Part of the price has clearly been paid by industry in the form of sharply narrowed margins in export markets. The OECD estimates that average values of Austrian exports in 1976 did not rise at all last year though an increase of 4½ per cent. is forecast for 1977. The 1976 figure may err on the pessimistic side, but the overall pattern is probably correct.

The tourist trade equally has felt the impact of prices rising in terms of D-Marks, and of the international recession. During January-August, 1976 the number of German tourists was lower by 5 per cent. than in the first eight months of the year before, and the overall number of foreign tourists was down by 2.5 per cent. But the overall income from tourism still showed a slight increase, keeping pace with the increased expenditure of Austrians travelling abroad.

Yet the fact remains that tourism cannot balance the current account, which has always included a structural deficit on merchandise trade. The last current account surplus was registered in 1969. For January-October, 1976 the current deficit was Sch.19bn. (as against Sch.3bn. for the same period in 1975). The increase was almost entirely due to a deterioration of the trade account, though in assessing it one must bear in mind that a surplus *shown in the books* under "Net Errors and Omissions" must be credited largely to current account type transactions.

During that 10-month period the Austrian external reserves (including the external assets of credit institutions) were run down by Sch.14bn. to Sch.48bn. (composed of net external assets of Sch.71bn. with the National Bank, and net external liabil*ities of Sch.23bn. of the credit* institutions). To that extent the Schilling has been propped up to maintain a strong exchange rate.

The pattern is expected to change this year, or rather to revert to a more normal state by considerably increased capital imports, though only a slight improvement of the current account is expected. A projection published by Girozentrale (which slightly revises the earlier work done by the Austrian Economic Research Institute) forecasts a current account deficit (including those Errors and Omissions) of Sch.10.4bn. this year (Sch.12bn. in 1976), but an overall surplus of Sch.6bn. In other words, the reserves will no longer have to take the strain.

Borrowing

Long-term capital imports are *going to be needed* as usual by the electricity generating industry and for purposes of export finance, and this year the Federal Government is expected *to return to the markets* to help cover its budget deficit. Foreign borrowing for that purpose is expected to reach a maximum of Sch.6bn. this year.

Thus the immediate outlook is for a continuing strength of the Schilling, though in the longer term there are reasons for concern if the predicted revival of world export demand does not occur with the hoped *for vigour*. Debt service will become an increasingly important element in the balance of payments: net external payments for interest and other yields from investment capital have increased from Sch.2bn. to Sch.3.5bn. in the last three years (November 1973-October, 1974 ... November 1975-October, 1976) and the trend is going to accelerate.

The Economic Research *Institute in Vienna* has advised the Government to find means to channel resources into activities with a low import content, in order to avoid exchange rate manipulation and the inflationary effect of weakening the Schilling.

Yet the strength of the Schilling does also have its negative side: from 1970 to 1976 Austrian unit labour costs as expressed in U.S. dollars increased by 134 per cent. of which a little over *half* (72 percentage points) was traceable to the rising Schilling rate.

One must add that the process has been arrested: in 1976 unit labour costs expressed in U.S. dollars actually declined by 1.6 per cent. (despite an increase of 7.6 per cent. expressed in Austrian money). Yet the position reached has caused some heart searching about how much longer Austria can afford to pursue its present exchange rate *policy. Girozentrale*, in a recent commentary, noted that Austria was no longer a country of low wage levels and would have to change its policy unless an advantage could be regained in unit labour costs. Given the awareness of this problem in the trade union leadership, it will largely depend upon other countries, especially the German, whether that success can be achieved.

W. L. Luetkens

The payments balance under pressure

EXPORTS bounded ahead by an enviable 16 per cent. as Austria's foreign trade made a smart recovery last year from the recession into which it had declined in 1975. Unfortunately, however, and not entirely typically by Austrian standards, imports grew even more rapidly—by 26 per cent.

That pattern greatly increased the visible trade deficit which for long has been a structural *feature of the Austrian* economy. In the past it used not to give too much cause for concern, since ever-rising earnings of the tourist trade helped to bridge the gap. But tourist spending may have reached a peak and there are certain other features of the trade pattern which make it probable that the current account deficit will continue for some time.

Inventories

It is estimated that about Sch.7bn. (about £240m.) of the increase of imports from Sch.149bn. in January-November, 1975, to Sch.187bn. in the first 11 months of last year was accounted for by the *normal* build-up of inventories at a time of economic recovery. Beyond that, especially high imports of energy and of motor vehicles were sucked in, and it may turn out that they were not altogether abnormal.

Austria is almost entirely dependent on imports for its *supply of cars*, and the rapid increase in new registrations from 185,000 in 1975 to about 220,000 last year was fully reflected in the trade balance. The boom was encouraged by the fact that heavy repayments of contractual savings were falling due, but in fact it appears to be a return to pre-oil crisis normality: registrations reached 222,000 in 1972, the last full calendar year before the crisis broke out.

In the case of energy—apart from some special factors such as *low snow falls in 1975-76* which reduced the flow of water through the hydro-electric stations—there was some bunching of oil purchases late in *1976* in anticipation of an OPEC price rise. That, however, is not a once and for all affair, since Austria, having joined the International Energy Authority, is committed to stockpiling oil this spring.

Besides these longer-term considerations, there is also a cyclical reason for caution in considering the development of Austrian foreign trade this year. After a very good start in 1976, export demand may be entering a phase where the hesitation in the West German and some other economies will have its effect upon demand for *Austrian goods*.

The impact of what happens in Germany is a multiple one. First, the Germans take about 20 per cent. of Austrian exports. In addition, many German and Austrian engineering products compete directly with each other so that if the Germans are *hungry for orders*, the Austrians will suffer pressure on their prices. Finally, many Austrian companies, especially the smaller engineering concerns that play a surprisingly large role in the country's exports, supply components to Germany for further export.

The trade outlook has given rise to some discussion in Vienna. The imposition of a special car tax has been mooted, but for political reasons stands no chance unless things really do get bad, which nobody really expects. In any case, with exports accounting for 26 per cent. of GNP, not to mention the country's obligations to EFTA *and the EEC*, nobody in Vienna is particularly anxious to tamper with imports except in the most indirect way.

Instead, Dr. Hannes Androsch, the Finance Minister, has suggested raising the ceiling for export credits from Sch.40bn. to Sch.60bn., as well as providing *better facilities for export* credit and export credit guarantees. In addition he is proposing an increased remission of corporate income tax in respect of export earnings and may propose similar concessions in the case of wealth tax. Overall, however, his suggestions may not *outweigh the recent increase of* that tax from 0.75 to 1 per cent.

Exporters, together with industry at large, may on the other hand hope for some relative relief on the wages front. The engineering union is about to embark on wage negotiations, and will probably settle for a real wage increase of less than 2 per cent. Assuming an inflation rate this year of 6 to ... per cent., that would probably mean that wages in this especially important industry would, if anything, lag behind those in West Germany.

Outstripped

That is a help which Austrian employers badly need, since their labour costs have been rising steeply of late. Including fringe benefits, which play an unusually big role in Austria, they have outstripped costs in France, not to mention Britain. Fortunately for Austria they still maintain a respectful distance *behind German costs*, nor does Austrian productivity fall ... that in the Federal Republic. Converting at prevailing exchange rates and taking wage and fringe costs in Austria to 100, the statisticians have arrived at an index figure of 134 for Germany, and one of 72 for Britain.

During the 1970s Austrian unit costs have been rising 7.6 per cent. annually. Converted into U.S. dollars, and hence boosted by the strength of the Austrian schilling, they have gone up 13.2 per cent. annually as against 10.9 per cent. in West Germany. Austrian exporters occasionally groan about the booster effect, but are unlikely to be given any relief by the exchange rate.

CONTINUED ON NEXT PAGE

Testing year ahead for the banks

REDIT INSTITUTIONS in istria have entered upon a new ar that will test both their ell established international nnections and their ability to al with pressures upon profitility deriving from both polital and conjunctural factors.

Their performance in 1976 has eated a good point of departe for the tasks ahead. Certain sonal and political problems ve been solved, which bid ir to arouse tempers a few onths ago. Thus Dr. Heinrich eichl, Chairman of the oard of Creditanstalt-Bankrein (CA), the biggest istrian bank, has been conmed in office, albeit for a uncated term of two years. His sition had come under attack om the Socialists who are in wer as the country's Government.

CA is largely State-owned, ough it is expected to comport self as a commercial bank, and s traditionally been within the here of interests of the ople's Party, now in opposion.

Component

The smaller of the two major mmercial banks, Oesterichische Länderbank (somenes considered a Socialist f), has been placed under the rection of Dr. Wolfgang ndl, in succession to Dr. anz Ockermueller, the execue chairman who died on ecember 5. Dr. Erndl grew o within the bank and may expected by and large to conue the policies of his precessor who was first and remost a man of the big dustrial credit. But under r. Erndl's direction Länderunk may cautiously revise its irly conservative attitude wards the expansion of retail unking as a component in its isiness.

Historically, Austrian credit stitutions are divided into the mmercial sector, which used deal mainly with the wealthy d with industry; and into a ctor of savings banks and utual banks founded upon the istom of the small man, of rmers or of local business and thorities. With the passing time, the distinction between ese sectors has become urred. But it has by no means en overcome.

As a result, for instance, the mmercial banks do not have anches in many by now quite osperous small towns. New anches have to be licensed by e Minister of Finance, a quirement that the commercial banks would like to see olished. Doing so would volve a considerable break ith Austrian traditions.

At the time of the attack on Dr. Treichl last spring it so looked as though some cialists wished to undermine e position of the two big mmercial banks as quasidustrial holding companies, ther upon the German model. he suggestion was put forward that their holdings in industry should be merged with the State-owned Austrian industrial sector. On the face of it the change would not have been too revolutionary, since the State also has controlling shareholdings in both of the banks concerned. But given that CA is closer to the People's Party whereas Länderbank is sometimes described as "red" as far as personnel matters are concerned, such a reorganisation would have upset the delicately balanced system of political checks and balances which is so important a feature of Austrian public life and public appointments.

That particular row appears to have blown over. In time-tried fashion a commission was appointed to look at co-operation between State-owned and bank-owned industry, and little has so far been heard from it. There is some reason to suppose that there is opposition to the merger scheme even within the Socialist Government itself.

In the meantime Länderbank has actually increased its industrial interests by acquiring a controlling share in the Austrian affiliate of Stuag, a Swiss road-building company. The Austrian company has a turnover of about Sch.1bn. (about £34m. a year). It joins a concern which includes possessions such as Waagner-Biro (engineering), Perlmoser Zement (cement) and Chemiefaser Lenzing (fibres); CA's industrial interests include Steyr-Daimler Puch (motor industry), Jenbacher Motorenwerke (engineering) and Semperit (rubber). Altogether these bank-owned industrial companies provide about 10 per cent. of industrial employment in Austria.

The tendency in bank Boardrooms is to say that an offer for these companies at full market price would be considered or even accepted — which sounds like a banker's polite "no." In any event no such offer has been received or looks likely for some time to come.

Political and personnel problems apart, the Austrian credit institutions face a number of financial and economic challenges this year. During the first half of 1976 they were plagued by a period of excess liquidity which must have borne down heavily upon profit margins. In the year as a whole, however, profits appear to have been well maintained throughout all sectors: in the closing months demand for credit increased rapidly, causing an expansion of some 21 per cent. above levels prevailing a year before.

This was due in part to the cyclical recovery of demand for credit from industry, but rather more to personal and other small credits: Austria has been on a car buying spree, and certain adjustments to the contractual savings system caused a heavy demand for gilts which may to some extent have been bought on credit. It remains to be seen whether industry continues as an expansive factor according to the usual cyclical pattern that ought to be the case, but there is some reason to believe that the upswing may have faltered (just as it did some months ago in West Germany). In that case there may be less demand for bank credit than expected.

Spreads will be coming under pressure from the introduction of a new tax on lines of credit (as opposed to straight loans, which have always been subject to this impost). The tax takes the form of a levy raised once, amounting to 0.8 per cent. of the line, or to 1.5 per cent. in the case of credits extended for over five years. Credits of less than Sch.1m. will not be liable to this tax until the end of 1977. The indications so far are that the credit institutions will try to absorb the levy, instead of passing it on to customers.

The credit tax was introduced as part of a series of measures intended to arrest the decline into increasing deficit of the Austrian budget. Nevertheless Dr. Hannes Androsch, the Finance Minister, expects to have to borrow some Sch.30bn. this year, of which maybe Sch.6bn. will have to come from abroad. Foreign borrowing will be further increased by the needs of the electricity generating industry, which traditionally imports capital since it requires longer maturities and larger single emissions than are usual within Austria.

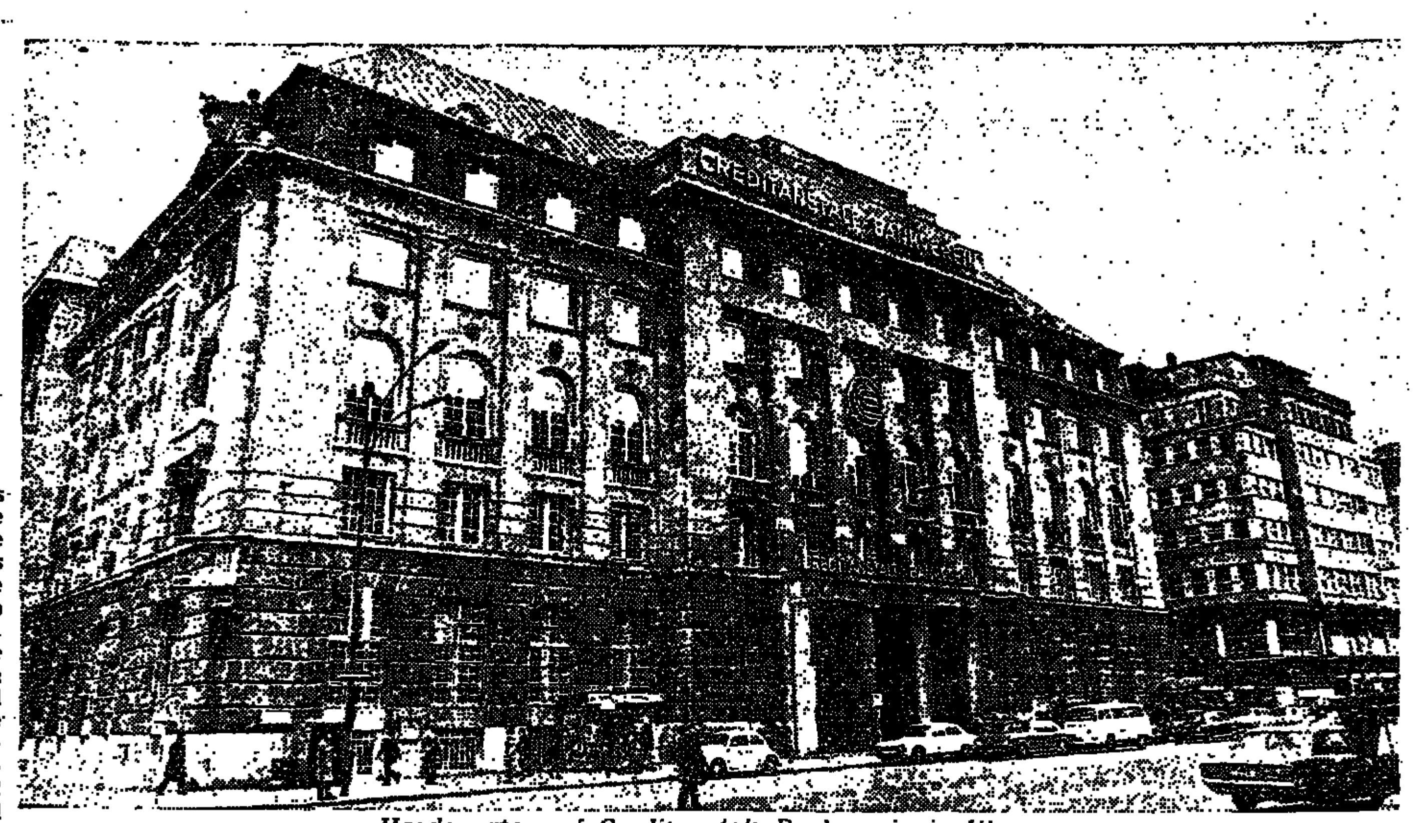
In this context it is important that foreign business is by no means the preserve of the commercial banking sector. In particular the savings banks, through their umbrella institution the Girozentrale (GZ), have been active lenders, borrowers and co-managers on the Euromarket scene. Far from being a wallflower, the so-called co-operative sector is powerful in Austrian banking.

Of the aggregate assets of the banking system at the end of October, 1976, the commercial banks accounted for 31 per cent., the savings banks for 25 per cent., and the agricultural co-operatives, the so-called Raiffeisen banks, for 19 per cent. Argument is possible about how clearly these figures reflect relative sizes, but not about the general truth that the little man's banks are no longer little banks.

One task of considerable technical difficulty and great importance to the economy that the banks are tackling this year is how to deal with something like Sch.20bn. to Sch.25bn. in contractual savings that are falling due round about this time, with more to come later. There are indications that only about a quarter of these amounts will be left untouched; of the rest up to half may go into consumer spending, while the rest will be reinvested in some other way. Since the terms of contractual savings have just been altered to the disadvantage of the customer, the task of recapturing the money now released has been immensely complicated, even though the incentives to save and the national instinct for doing so still remain strong. But it is not surprising that the banks are pulling out all the stops.

CA has had a bright idea. Customers are presented with a detailed questionnaire about their family circumstances, income, investments, and their financial intentions. They fill it up themselves instead of requiring time from an investment counsellor. The result is fed into a computer, which is supposed to work out the most suitable savings plan. "Personal advice from our computer" is the slogan. A computer with a human face: if the Austrians can manage that, they can manage anything.

W.L.



Headquarters of Creditanstalt Bankverein in Vienna.

Payments

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A relatively rapid expansion exports into Eastern Europe elped the Austrians to overme the recession that struck eir foreign trade in 1975, but at may have come to an end y now. The smaller State ading countries, which are pecially important in ıstria's export trade, have run to foreign exchange problems a result of the oil crisis and ough Austria has generous port credit facilities—to a reat extent refinanced on uromarkets—restraint is now nsidered to be prudent.

North Korea has asked for a oratorium on a relatively nall debt of Sch.600m., and me of the Comecon countries ave run up a debt that is rge by reference to the smalless of the Austrian economy. arter has pointed a way round hat problem in some cases; ussia is delivering natural gas gainst Austrian pipes, and egotiations are under way with Poland to buy electric power rom a thermal power station o be built by Austrians.

The tubes deal has been of ome help to the Austrian steel ndustry which, because of unavourable geographic facts, has een hit particularly hard by he international steel crisis. The fact that steel accounted or 10 per cent. of Austrian exports last year must be ccounted a structural weakness.

On the other hand it is remarkable how great a role small companies play in Austrian exports. The Chamber of Commerce organisation calculates that 9 per cent. of Austrian exports derive from this source —not counting the components that they deliver to bigger Austrian exporters. As often as not the first step into export markets is taken as the result of personal ties with neighbouring Germany. Maybe an Austrian engineer returns home from a spell of work there and sets up his own business. His first export orders may very well be from his former employer—but many small businesses have gone on from there.

It would hardly be possible if the chamber of commerce organisation had not built up an efficient organisation for searching out export opportunities, or opportunities for industrial collaboration abroad. Austrian Trade Delegates, as they are called, are stationed in 80 countries, which roughly gives them parity with Austrian ambassadors. They are not government employees, but their funds are in fact provided by a levy of 0.3 per cent. on all imports and exports, collected by the customs service. Businessmen in Austria speak of their government as do their *confreres* elsewhere: but that does not rule out a bit of collaboration or partnership.

W.L.

Redeployment needed in State sector

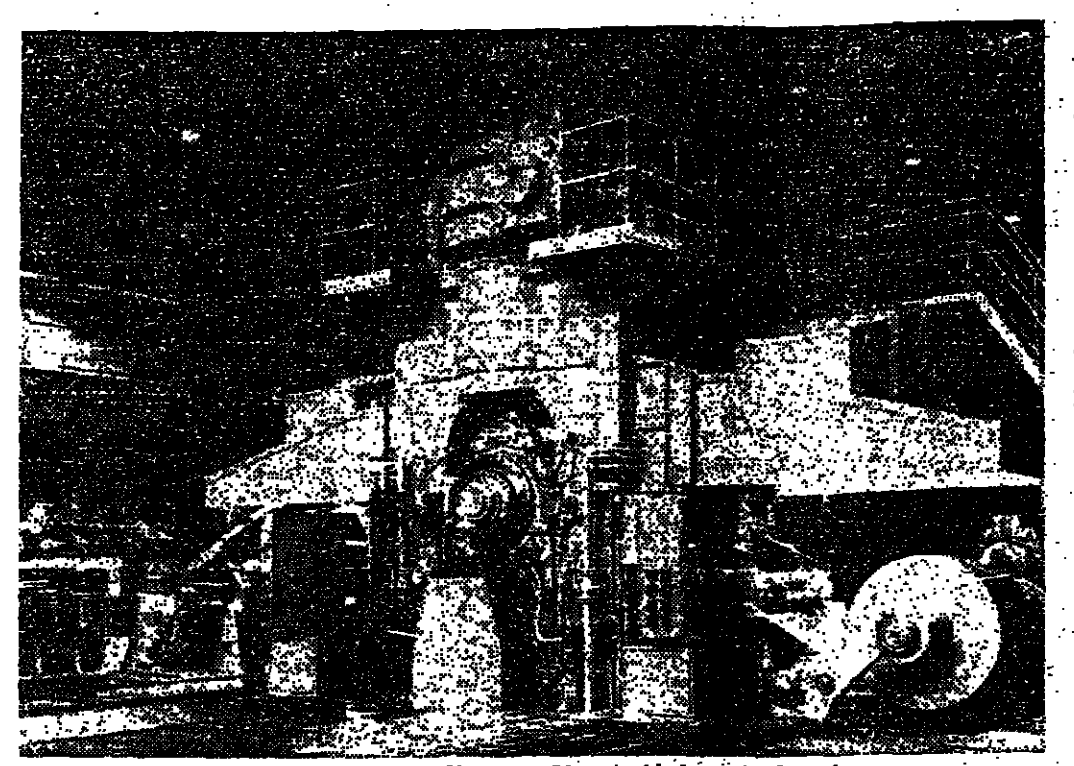
ON THE *face of it*, Austria's economy seems to be dominated by one company called OEIAG (Oesterreichische Industrieverwaltungs - Akqtiengesellschaft) with an estimated turnover of Sch.85bn. (almost £3bn.) and with a labour force of over 110,000. OEIAG ranks thirtieth in the list of the 500 leading industrial companies in Europe as compiled and recently published by the Deutsche Commersbank. But as with so much in Austria, the position of OEIAG is deceptive too, and it is highly unlikely that apart from a relatively small circle of the people directly or indirectly involved the average Austrian would be able to explain what the company with the long-winded name actually does.

OEIAG is the holding company for the whole of the nationalised sector of industry. It is not generally known outside Austria that immediately after World War II the entire iron and steel industry, the oil industry, large segments of the heavy engineering and electrical industries and most of the coal mines as well as the non-ferrous metals industry were nationalised. The two main political parties made this decision jointly in order to safeguard these crucial sectors during the Four-Power occupation (which lasted until the end of 1955) and to provide the capital neded for reconstruction.

Public

It is important to sress that the public sector is much larger than the nationalised industries as such, with one in four wage and salary earners employed by the State, provincial and municipal authorities. According to the latest available statistics, the nationalised industries under the umbrella of OEIAG account for one-sixth of the industrial labour force. Yet during the past five years the investments made in the nationalised sector amounted to one-third of industry's aggregate capital spending. Between 1964 and 1975 industrial investments as a whole doubled, those of OEIAG, however, showed a fourfold rise.

The sector is a mainstay to Austrian exports, since its own exports in 1975 accounted for 36.7 per cent. of total turnover and reached almost Sch.30bn.



A cold-rolling mill in a Voest Alpine steelworks.

Provisional estimates indicate a further rise in sales abroad last year to Sch.34.5bn. As turnover also rose from Sch.81bn. to Sch.85bn., it is evident that the stagnation recorded in 1975 was overcome.

However, the Director General and Chairman of the Board, Dr. Franz Geist, warned last September when presenting the balance-sheet for 1975 that the cash flow between 1974 and 1975 dropped by 43 per cent. to Sch.5.2bn. He warned that long-term sales opportunities were being jeopardised by the fact that some sectors were producing at too high a cost. "One of our most important problems is to analyse where and why there are high-cost producers," Dr. Geist added.

But this is precisely the Achilles heel of the entire nationalised sector. The point is that OEIAG is merely an umbrella outfit without any meaningful decision-making power. This is the background to the permanent conflict between the Board of the holding company and the powerful general managers of such large concerns as Voest-Alpine, alone accounting for half of the turnover and over two-thirds of the labour force of the nationalised sector, OEMW, the State petroleum concern, Chemie Linz, the chemical concern, and other enterprises.

This vast industrial empire has for three decades been subject to changes in the form of State control always reflecting the ups and downs in the fortunes of the two main political parties. The plan, originally drawn up by the People's Party and its top expert in charge of the sector, Dr. Josef Taus (who in the meantime became the Party leader) envisaged OIEAG as a real holding company with managers no longer nominated by the political parties but by the Board.

Since the two Socialist electoral victories in 1971 and 1975 the nationalised sector has been affected by major reorganisations. First, as from 1973 the entire steel sector was merged, followed by the fusion of the special steel producers. Concentration also affected the aluminium and non-ferrous metal sector. But political and regional backseat driving has not been eliminated. Structural improvements, let alone mergers or the closure of uneconomic plants, have so far met with vigorous resistance from regional lobbies, since Austria is a federal state of nine provinces.

The perhaps most famous, and in the field of industrial engineering undoubtedly successful steel concern, Voest-Alpine, and its special steel subsidiary, VEW, are very dependent on exports. The parent company reported an increase in the export proportion from 49 to 61 per cent. between 1974 and 1975, while the special steel concern sells 80 per cent. of its turnover abroad.

Lagging

International cosultants had concluded eight years ago that in terms of productivity and earnings/turnover ratio the Austrian steel industry was lagging behind its main competitors. But at that time, as Dr. Taus recently pointed out, lower Austrian wages were able to offset the structural disadvantages. These in turn are connected with the lack of an indigenous raw material basis.

Austria has no good quality ore or coking coal. Two-thirds of the iron ore has to be imported and the rest, because of its low iron content, adds to the costs. The disadvantages involved in the location are compounded by the small domestic market. With the fall in demand and prices crude steel output had to be reduced by 12 per cent. to 3.6m. tons in 1975.

The alarming situation was revealed last summer when Voest-Alpine had to use up reserves to cover a Sch.660m. loss. Though last year's results are expected to show an improvement and a 15 per cent. rise in turnover, orders in hand last October were 10.7 per cent. and foreign orders 18.2 per cent. down on October 1975. The rate of incoming export orders was even 40 per cent. down on the levels registered in 1975. The special steel producers report a 36 per cent. fall in the order book at the end of last October compared with that month a year earlier. What has helped to avert greater losses was the switch to machinery and industrial engineering, whose share has risen to 30 per cent. of Voest-Alpine's turnover.

Its veteran Director-General, Dr. Herbert Koller, who after 15 years at the helm is retiring prematurely this summer, claims that only the birth of the steel conglomerate as of 1973 provided the conditions for a co-ordinated investment strategy which after all involves annual capital spending to the tune of Sch.3bn. As the merger was soon followed by the steel recession it is difficult to judge whether the events have confirmed the warnings of the opponents of the merger. The merging of the weak State companies into the stronger one may well have made ruthless rationalisation more difficult.

Between 1973 and 1974 the workforce in the nationalised steel sector grew by 8,000, though some independent observers estimate that a drastic shake-out of surplus labour could affect as much as ten to 15 per cent. of the total. But there can be of course no question of massive redundancies. A freeze on new employment and the possibility of early-pension benefits for people over 50 as well as internal shifts should help to maintain full employment.

The aluminium sector is another weak spot, while the oil, chemical and electrical sectors are doing reasonably well. But here too a redeployment of capacity is overdue. In sum, the nationalised companies have to take some unpopular decisions—and the sooner the better.

Paul Lendvai
Vienna Correspondent

Steadily widening energy gap

AUSTRIA IS faced with a widening gap between the steadily rising demand for energy and dwindling reserves of crude oil, natural gas and even of coal. The share of imports in satisfying domestic demand has risen from 35 per cent. in 1960 to 58 per cent. in 1970 and to an estimated 65 per cent. last year.

The long-term energy policy forecast, just revised by the Institute for Economic Research, comes to the conclusion that by 1980 imports may well provide 80 per cent. Between 1955 and 1973 Austria's energy consumption rose at an annual rate of 5 per cent. The oil crisis of 1973 and the slackening of growth in 1975 led, however, to an unexpected drop in overall demand for energy of 2.6 per cent. in 1974 and 2.3 per cent. in 1975.

Although last year energy consumption was again rising by an estimated 4 per cent., the long-term energy forecast has undergone a downward revision. The experts now reckon that consumption will rise by 5 per cent. less than was estimated a year earlier. This means that the annual growth of demand between 1975 and 1985 should be about 4.5 per cent. Yet at the same time it is regarded as unlikely that Austria would be capable of maintaining the production of primary energy at previous levels.

Shift

The shift from coal to oil and natural gas coincided with the exhaustion of available reserves. Thus it is now estimated that domestic oil output will drop from 2m. tons in 1975 to 1.6m. tons by 1980. As a result, Austrian crude will account for a mere 15 per cent. of the demand as against 25 per cent. in 1975. Known oil reserves will be exhausted in ten years' time. The situation in the gas sector is not much brighter. If the present natural gas consumption is doubled, reserves will be exhausted by 1985. Coal deposits, on present assumptions, will be worked out in 36 years. Even the domestic prop to energy supply—hydro-electric potential—will at best only maintain its present share of about 10 per cent. of domestic consumption.

Hydroelectric plants currently satisfy two-thirds of the domestic demand for electric energy. By 1990 the hydro-electric potential will have been fully tapped and with a continuation of the current growth rates of 7-8 per cent. a year will be able to cover only half the domestic electricity consumption.

All these developments are of course reflected in Austria's balance of payments. Between 1975 and 1973 the import bill for oil and natural gas doubled to Sch.18bn. The State electricity corporation estimates that energy imports might cost as much as Sch.24bn. in 1980 and could reach even Sch.40bn. by 1985.

While the OPEC countries, primarily Iraq and Libya provide the bulk of crude oil imports, the Soviet Union is also an important supplier, with shipments reaching 1.4m. tons last year. It is the growing dependence on East Europe that also raises some awkward questions for Austria. Thus according to the figures for the second and third quarter of 1976, the Eastern bloc (primarily the USSR) accounted for 99.6 per cent. of natural gas and between 20 and 30 per cent. of the crude oil imports. Eastern Europe (in this case primarily Poland, Czechoslovakia and the USSR) supplied 81 per cent. of the hard coal, 46 per cent. of soft coal and 64 per cent. of coking coal imported by Austria during this period.

It is against this background of rising energy demand, falling domestic output, dwindling reserves and a steadily growing burden on the external payments balance that the recent controversies about the first projected nuclear power plant and the entire atomic power programme must be seen. The original energy programme of the Socialist Government envisaged that by 1990 three nuclear power plants, with a total installed capacity of 3,300 MW, should be in operation. The first plant at Zwentendorf

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Mixed growth prospects for industry

A VIENNA weekly recently published a list of the hundred largest companies in Austrian industry. Predictably, if measurement is made in terms of turnover and labour force, the nationalised concerns such as Voest-Alpine, the steelmaker, OEMV, the oil corporation, and so on, occupy the top places in the industrial league. However, if one excludes the nationalised sector, the subsidiaries of such multi-nationals as Siemens, Philips and Unilever, and the industrial holdings of the two commercial banks, Creditanstalt and Laenderbank (which in turn are controlled by the State) as well, the reader would have to look a long time before finding a genuine "private" industrial company.

According to the survey, the first truly privately owned company—as distinct also from the giant agro-industrial co-operatives—takes only 26th place. It is a family-run building company with an annual turnover of Sch.1.6bn. (about £55m.) and a production staff of 3,500. Indeed, the typical Austrian private industrial company has an annual turnover of only Sch.300m. to Sch.500m., and is owned and very often also managed by the family.

Contrast

It is this contrast between the concentration in the nationalised sector and the large number of small to medium-sized concerns which characterises Austrian industry. The nationalised sector accounts for 16 per cent. of the 626,000 industrial labour force (excluding construction and utilities). The big concerns (including, for example, the motor company Steyr-Daimler Puch and the rubber producer Semperit) which belong to the empire of the nationalised banks are estimated to represent about ten per cent. of total industrial production.

On the other hand, 98 per cent. of the companies have a labour force under a hundred. As Mr. Rudolf Sallinger, the President of the Federal Chamber of Economy, recently stressed in an appeal for Government assistance, the small and medium-sized enterprises in industry, trade, commerce and services employ two-thirds of the wage and salary earners.

The success story of Austrian industry and indeed the economy as a whole since World War II shows that there is not always an immediate connection between the industry's structure and its exports performance. Thus according to Mr. Sallinger no less than 5,000 companies are engaged in exports, which in turn account for 30 per cent. of the aggregate output of industry and trade. While some large nationalised companies grapple with serious difficulties, there are a number of companies created by imaginative and dynamic entrepreneurs which enjoy international reputation in such competitive branches as winter sports goods, primarily skis, optical and precision instruments, cameras and projectors, etc.

That is not to say that structural reorganisation is not needed in some special cases and in selected sectors. Thus a successful reorganisation of several ailing textile concerns near Vienna was carried out last year, helped by subsidised credits from the Government. A redeployment of capacity is also needed in the paper and glass industries. While some Leftists on the fringe of the ruling Socialist Party and in the unions complain that Socialists are "saving capitalism," advocates of the market economy suspect the Government of a creeping "socialisation" of the relics of capitalism.

The complex ownership patterns in Austria's mixed economy are incidentally also reflected in the fact that foreign capital directly or indirectly controls 23 per cent. of domestic industry. However, it must also be pointed out that during the last decade there has been no change in the extent of foreign influence. This in turn is connected with the fact that Austria is no longer a low-wage country. On the contrary, the costs of social security and a variety of fringe benefits account for 80 per cent. of nominal wages, as against 51 per cent. in West Germany or 28 per cent. in Switzerland.

Industry has profited from two decades of labour peace. Strikes are rarities and lock-outs virtually unknown. Between 1969 and 1973 Austria registered a total of 41.5 minutes lost per gainfully employed person as a result of strikes. According to the latest available figures, in 1975 only 3,783 employees were involved in a labour conflict which cost 5,500 working days. To sum up, Austria can claim one of the best strike-free records in the world.

The business community, however, has to pay a price for labour peace. On the one hand real wages—that is, after deducting the inflation rate—have risen since 1970 by 40 per cent. Full employment and total job security have led to the (involuntary) hoarding of labour in order to avoid a conflict with the unions.

It must also be taken into account that the unions as indeed the other corporate bodies (chambers of commerce, farmers, etc.) can influence the allocation of subsidised credits through their representatives in the countless Commissions. Chancellor Kreisky claimed that Sch.14.9bn. of subsidised credits are granted annually to industry. Independent observers estimate, however, that at least 40 per cent. of the commercial credits are given at preferential interest rates; some put the proportion as high as two-thirds of the outstanding total. To put it bluntly, industry and its organisations have to conform to a code of good behaviour, restraining from blatantly anti-Government propaganda, if they want to profit from credits, subsidies and the co-operation of the unions. At the same time it is recognised both by industry and the Press that the unions are still a prop to social stability and their leadership is still keenly aware of their global economic interests.

The latest package of welfare measures involves the transition to a 40-hour working week, and the introduction of a minimum statutory four weeks' annual leave. For those with 20 years in a job (previously 25 years) there is even a claim to five weeks. This alone is expected to add a further 3 per cent. to the total wage costs and it is reckoned that the loss of annual production likely to result from the introduction of a four-week minimum leave will equal the output of 45,000 workers. This is why the industrialists's association recently cautioned the unions that the utmost restraint will be needed in the next wage round.

Prospects

So far as prospects for industry are concerned, the Institute for Economic Research estimates that industrial output this year will rise by 5 per cent., following an increase of just over 7 per cent. in 1976. During the recession year of 1975 industrial production fell by 7.8 per cent. During the first three-quarters of 1976 industry produced 6.4 per cent. more than in the corresponding period of 1975, with employment during the nine-month period down by 2.6 per cent. and productivity up by 9.3 per cent.

According to preliminary estimates, calculated on a dollar basis to relate to international competitiveness, unit costs in Austria may have dropped by 1.6 per cent. last year after a jump of 25 per cent. in 1975—twice as high as the comparative figure for Germany. These figures of course reflect certain social realities. In 1975 industry accepted a cut in production and profits in order to maintain full employment.

The rate of unemployment rose merely from 1.5 per cent. to just over 2 per cent. last year; in turn the unions refrained from pushing for the usual increase in real wages.

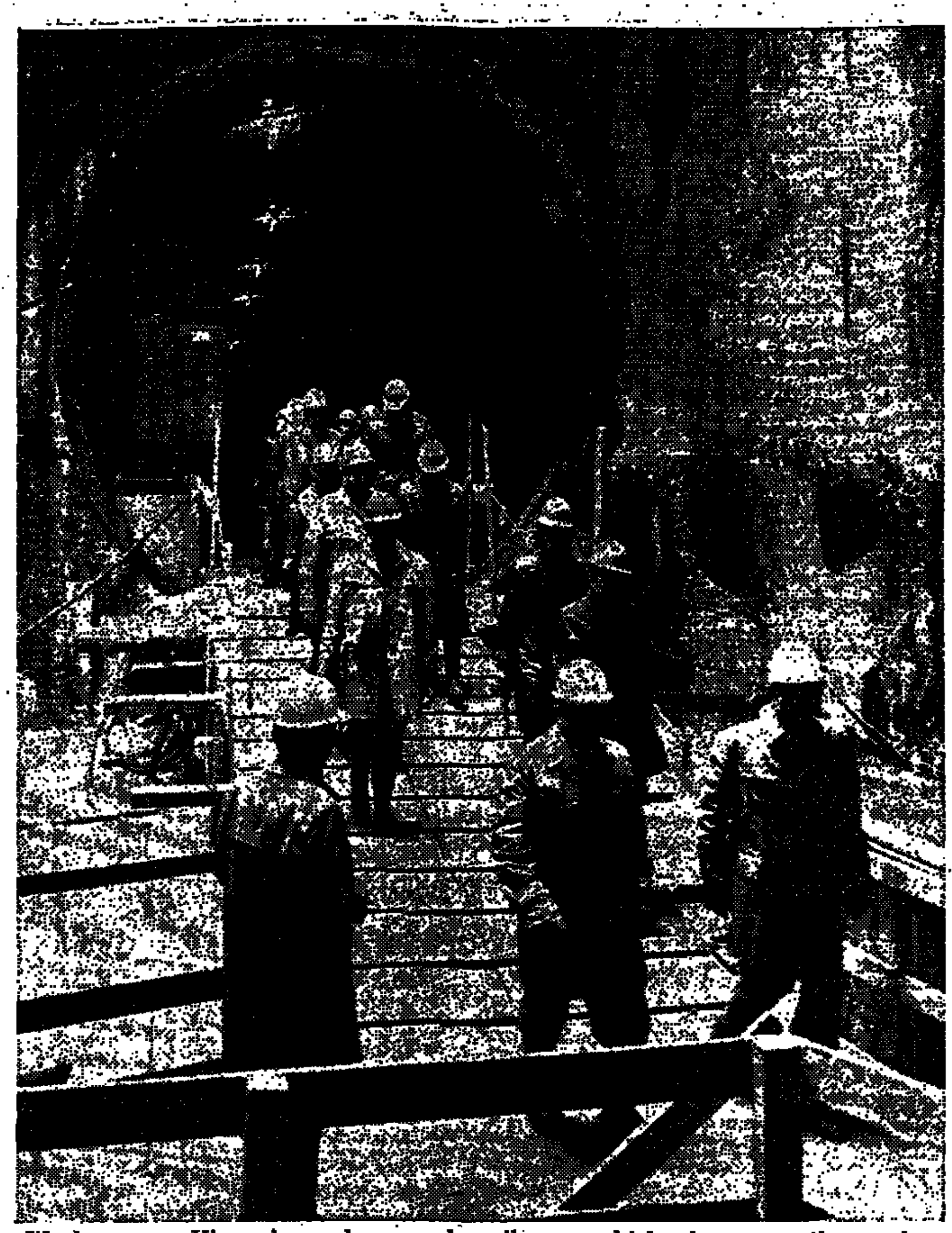
Industrial investments in nominal terms are expected to rise by 19 per cent. this year compared with 1976, with the private sector intending to increase capital spending more rapidly than the nationalised industries. However, even if these expectations are realised investments would in real terms still be 10 per cent. below the levels recorded in 1972. Despite the upswing, particularly in the second and third quarters and notwithstanding a growth rate of 13 per cent. in October (compared with that same month in 1975) industry is distinctly pessimistic with regard to the future.

The Federation of Austrian Industrialists announced in a year-end report that industry does not share the optimism of the Economic Research Institute. The survey reflected lower order books, stagnating prices and growing pressure from imports. At the end of October only one in five industrialists regarded his order books as satisfactory and 42 per cent. complained about low levels of incoming orders. Half of them regarded export order books as unsatisfactory.

Capital goods producers were particularly pessimistic as far as the prospects for 1977 are concerned. The reversal of the previous trend towards a sustained expansion became evident last autumn.

In addition to the international environment, much will depend on the outcome of the next round of collective bargaining between the two sides of industry and the fiscal policy of the Government. The latest tax concession to exporters indicates that the Government is beginning to realise the dangers involved in excessively high taxation.

Paul Lendvai



Workers on Vienna's underground railway, which is currently under construction.

Energy

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should be on stream by the autumn of 1977, the second by 1985 and the third by 1990.

Public opposition to nuclear power, however, has also reached Austria, as usual with some delay. It has now been confirmed that, due to the delays in granting the necessary permits, the first nuclear plant can go into operation only in the spring of 1978, with a capacity of 740 MW. Although the opposition People's Party has begun to exploit the issue, the Government simply cannot afford to scrap a project which has cost Sch.5bn. Further, for the first four years after the plant begins to operate the German contractors are due to care for the disposal of the fuel waste at Zwentendorf, and highly radioactive waste will pose a problem only after 1990.

Nevertheless the controversy over this complex issue led the Government to launch a full-scale information and discussion campaign. The results will be presented to Parliament before the summer of this year. Only then will a decision be made about the building of a second nuclear power plant. The political parties and the Government, too, are split over the issue, and it is also possible that a referendum will be held. In any case, Chancellor Kreisky, who lived in Sweden for 13 years, is keenly aware of the explosive political implications of atomic power controversies.

At any rate it is now certain that by the end of the 1980s at best only two (and not as earlier expected three) nuclear power plants will be in operation. This has, of course, changed the forecasts too. By 1980 nuclear power should have a 4.4 per cent. share in Austria's total primary energy consumption. However, the percentage has had to be reduced from the earlier projected 9.2 per cent. in 1985 to 5.7 per cent. and from 12.6 per cent. in 1990 to an estimated 8.3 per cent.

Severe

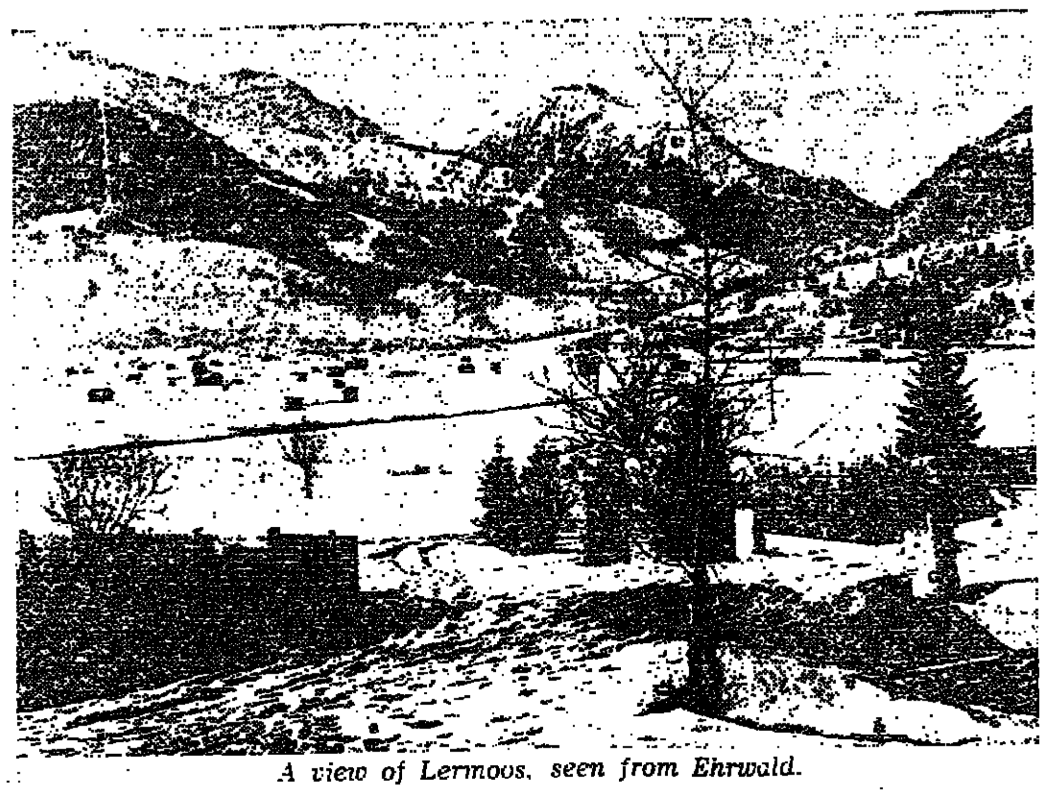
The advocates of nuclear power and critics of the populist lobby hope that an extremely severe winter could bring the entire campaign to a sudden halt, since power cuts affecting traffic, transport and leisure, would diminish the arguments of the opponents of nuclear power. The Director General of the Nationalbank, Dr. Heinz Kienzl, stressed this with brutal frankness in a recent article in the Socialist Party's official paper. For the time being, however, Austria, a latecomer to the nuclear age, has postponed the decision on whether to go ahead with its nuclear aspirations. This in turn is bound to have, even if temporarily, a major impact on the shape of future energy policy, with the role of nuclear power shrouded in uncertainty.

P.L.

مكتبة من الاجل

Tourism adjusts to lower growth

AUSTRIA, A small land-locked country of 7.5m. people, situated on the fringe of what used to be called the "free world" has not only maintained its position as a great power in the European tourist league but has even managed to improve, however slightly, its market share. In a disappointing year for the tourist industry, the setbacks registered during the 1976 summer season (May to October) were less pronounced than the losses recorded, for example, in Spain, Yugoslavia and Switzerland.



A view of Lermoos, seen from Ehrwald.

The fall compared to the summer season in 1975 represented a mere 2.5 per cent. Taking the first 11 months, the picture improved, with overnight stays by foreign tourists showing a rise of 1 per cent. to just over 75m. Foreign earnings are estimated to have risen by 8 per cent. to a peak of Sch.55bn. (about £1.9bn.) and are expected to go up by a further 12 per cent. this year. In view of the rapidly rising expenditure by Austrians abroad (up by 10 per cent. last year and expected to jump by 18 per cent. this year) the net intake in 1977 was up only by 7 per cent. This estimate, made by the usually optimistic Minister of Trade, Dr. Josef Staribacher, is higher than the Central Bank statistics for January-November which showed only a 1.8 per cent. rise to Sch.24bn. This figure, however, must be adjusted if one takes into account the Sch.3bn. in cash taken out by foreign workers.

Regardless of their relatively good performance however, Government, the industry itself and economic commentators agree that the long period of record-breaking growth rates is over. Not long ago Mr. Horst Knapp, one of Austria's top financial journalists, estimated that if the annual growth of 9.4 per cent. recorded during 1955-1975 continued, Austria might be able to report no fewer than 755m. overnight stays by the year 2000. Taking into account an average stay of seven days, this would mean playing host to the combined populations of West Germany, Benelux and Scandinavia. This vision, described by Mr. Knapp as a nightmare rather than a dream, would culminate in the tourist season in having one foreign holiday-maker for each Austrian.

While fully aware of the long-term dangers involved in the rush for the tourist's Mark (four out of five holidaymakers come from neighbouring West Germany), those in charge of the tourist industry are at present mainly concerned with other trends adversely affecting the economy as a whole and the external payments situation in particular. Gross revenues from tourism last year accounted for 26.6 per cent. of the total exports of goods and services. It was pointed out, for example, at a conference organised last autumn by the Federal Chamber of Economy that in the first eight months of 1976 the tourist industry earned 2½ times more foreign exchange than the export earnings of the iron and steel industry during the whole of 1975. This, however, is only one side of the coin. The other aspect is the rapidly deteriorating ratio between the net surplus from tourism and the visible trade deficit. In 1970 the net intake was able to offset 98 per cent. of the deficit, but by 1975 the proportion dropped to 86 per cent. and last year it sank to a low of 59 per cent. This year, too, tourism will be able to offset only 60 per cent. of the trade deficit.

Taking the 1970-76 period, the figures reflect a growing disproportion caused by the slower growth in the number of holidaymakers on the one hand and the changing life-style and spending habits of Austrians on the other. Between 1970 and 1976 (excluding transfers by foreign workers) Austrians doubled their expenditure abroad and imports jumped by 118 per cent. During the same period, however, income from tourism rose only by 84 per cent. and exports by 104 per cent.

What, then, are the structural weaknesses in an industry which has so long been the prop both to the economic upswing and the balance of payments? Despite repeated exhortations in the past, the performance of the industry still depends on two main factors: the weather and the German holidaymakers. With regard to the latter, the 5 per cent. fall in the number of West German tourists during last summer was the decisive factor causing the overall 2 per cent. drop in overnight stays. The fact that the number of tourists from France was up by 20 per cent., from the U.S. by 17 per cent. and from the Netherlands and Switzerland by 6 to 7 per cent. was a meagre consolation. At the Chamber of Economy conference, Mr. Otto Schreiner, the Chairman of the association of hotels and guest houses, pointed out that the fall in the number of Germans during January-August was alone more than the combined total of British and Swedish visitors during the same period. The explanation that the reduction was primarily due to the poor weather and the repercussions of the economic difficulties in Germany is only partly accepted. One can point out that the exchange rate of the Austrian schilling, the much higher inflation rate (7.3 per cent.) compared to that in Germany, the steep rise in officially regulated prices and services and the excessive taxes on drinks have combined to make Austria less attractive to German tourists.

There are, however, other problems. Many foreign tourists are attracted by what may be described as the "family character" of the Austrian tourist industry. Thus two-thirds of the hotels, inns, boarding houses and restaurants, some 34,000 units, are purely family businesses. About 16,000 employ up to four people during the season. Only 51 companies have a labour force of over 100. This kind of structure makes the much-needed improvement of quality and the overdue widening of the range of services offered very difficult.

Lack of co-ordination was also reflected in the 1960s and early 1970s in the growth of accommodation. At present private accommodation in the tourist resorts accounts for 40 per cent. of the total capacity of 1.10m. beds. During the last winter season, for example, the number of private rooms was up by 10 per cent. Yet overall bed capacity was utilised only to 20 per cent. During the 1975 calendar year, for example, only 19 per cent. of the available private accommodation was taken, while hotels and inns were operating at 27 per cent. of capacity.

The latest figures show that the number of foreigners taking private rooms in the summer season fell by 7 per cent. In contrast the higher class hotels and pensions reported growth rates of up to 8 per cent. Although the share of the so-called A and B hotels and guest houses has risen from 16 per cent. of the capacity in 1960 to [illegible] per cent. in 1975, there is still much to be done to improve service and quality.

The problem of capacity utilisation is closely connected with the relatively short peak period. The president of the catering association in the Chamber of Economy, Mr. Josef Froehlich, stressed at the conference on tourism that Austria's relative share of European tourism is well below average in June and September. The same lopsided structure is noticeable during the winter season, when tourist traffic is concentrated in February and March.

Meanwhile some progress has been reported in the shift from summer to winter tourism, whose share has risen from [illegible] per cent. in 1972 to [illegible] 31 per cent last year. In terms of foreign exchange revenue the winter season share has reached a higher proportion: 36.5 per cent. of the total. According to recent estimates winter holidaymakers spent on average Sch.864 per day, as compared with Sch.555 by summer tourists.

The industry is pressing for tax concessions and more subsidised federal credits at a preferential rate of interest. Its spokesmen point to the extremely high proportion of borrowing, with loans ranging from 41 to 87 per cent. of the average capital. The possibility of preferential tax treatment of investment funds from retained profits, particularly for the erection of indoor tennis courts, swimming pools, etc., are regarded as essential to the continued development of the industry. The increase of federal funds for tourist promotion abroad by Sch.[illegible] to Sch.220m. this year, the provision of Sch.275m. for special credits granted to some [illegible] firms last year as well as other investment promotion measures indicate that the Government is not turning a blind eye to the problems of an over-extended but crucial industry. In turn the spokesmen of the industry have realised that, in the words of Mr. Schreiner, Austrian tourism has entered a phase of "dampened growth."

The improvement in quality and the weeding-out of surplus and poor accommodation, together with co-ordinated action by the federal and local authorities in the field of [illegible] transport and environmental policies, are the most urgent tasks to be tackled if Austria wants to retain its pre-eminent position in the highly competitive world of international tourism.

P.L.

"Francis the Great"—Franz Klammer, whose unbeatable form on the pistes is an asset to Austrian pride and ski manufacturers.

The Management Page

EDITED BY JOHN ELLIOTT

Sue Cameron profiles a design management consultancy whose partners believe that it is possible to maximise creativity while minimising risks

Boost for product innovation

ONE OF THE criticisms levelled against British industry is that it either ignores its designers altogether or places such stringent limits on their inventive talents that they are rarely able to create new products.

This complaint is borne out by the experience of a design management consultancy called Smallfry which specialises in mechanical engineering. The consultancy is called after its two founding partners — Anthony Smallhorn, who used to be research manager at Ogle Design, and Tim Fry who was head of advanced vehicle design at the former Rootes Motors.

The partners work from their homes which enables them to keep down costs. They have been in business for four years and during that time they have produced a sea truck for Rotork Marine, they have advised on the design of machine tools and they have worked on ambulances and on commercial vehicles. They are currently developing a prototype fifth wheel for articulated lorries which is designed to lessen the risk of jacknifing.

They believe there are several reasons for the criticism. Some companies are backward about design because they fear customers will resent radical changes and, when they do eventually take the plunge, they make mistakes through sheer inexperience. Another inhibiting factor, they say, is that even the best company design teams can become stale after working together on the same product for a long period.

On the other hand, outsiders like the Smallfry partners claim they can often induce an organisation to take a fresh approach to design by acting as creative catalysts and by explaining how any potential risks can be minimised. They can provide the impetus and inspiration that may otherwise be lacking. But to do this successfully, design consultants must be able to adapt to the varying needs and methods of differing companies.

The Smallfry partners claim they are able to do this and that they not only create prototype models or blueprints for their clients in the traditional way but also help companies to plan for diversification and to identify areas for new inventions.

Resources

One of the first things Smallfry does when it takes on a new client is to find out if the company is concentrating its design resources on the right product or component. The consultancy has found that many organisations spend too little time and money deciding what they ought to be designing or redesigning. They tend to plump for a particular item without exploring all the possibilities and without discovering if they would benefit more by working on something else. As a result they increase the risks involved with any new design quite unnecessarily. And, if an idea flops, any prejudices managements may have had against innovatory design are reinforced.

Smallfry says that some companies do not even bother to test the likely reaction of their customers to a new design. They simply assume that buyers will reject any radical change and they therefore content themselves with making minor modifications to a tried and tested product.

The motor industry is a prime example of this in the opinion of Smallfry and those responsible for the design of cars and commercial vehicles accept that there is a good deal of truth in the criticism. But British Leyland, for instance, defends the industry's attitude to design by pointing out that innovation is extremely expensive in terms of production costs and the risks involved are considerable. It says that past experience has shown that Leyland customers are conservative souls who prefer proven designs to radically different models that could turn out to have major faults once they are on the road.

British Leyland adds that car customers seem quite happy to buy models that are only cosmetically different from those on sale the year before. The company's arguments are doubtless sound but the Smallfry partners would argue that they can lead to "closed minds." They believe that one of their main tasks is to manipulate companies into taking a more thoughtful and imaginative attitude towards design.

Most of Smallfry's clients go to the consultancy because they have a specific problem or they are interested in a design that the partners are developing on their own account. But once Smallfry has discovered what sort of design a client company is interested in it does not content itself with working on the technical specifications. Instead, it starts testing the potential market for the new part or product and also looks round for possible alternatives.

The Smallfry partners discover if customers approve their client's idea and ask them if there are any other developments they would prefer to see. They then go back to the client company and report their findings. Sometimes a client's initial idea will prove to be a good one in which case Smallfry will start advising on ways of achieving correct performance specifications — vital if a new product is to be successful.

Wrong tree

Sometimes the partners decide that their client is barking up the wrong tree. Perhaps the company is thinking of going into a completely new line when it would gain far more by starting to manufacture a component for its established products that it had previously bought in from outside.

Occasionally Smallfry concludes that a client would do well to maintain the status quo and abandon new design projects in the short term at least. For although the partners are anxious to see more innovatory designs adopted by industry, they do not believe in innovation for its own sake. The only justification for a radically new design is that it should benefit manufacturers and customers.

The Smallfry partners insist that whether they are producing a prototype for a company themselves or merely providing guidance, the *raison d'etre* of management design must be to minimise risks while maximising creativity.

Uncertain trend for managers

BY NICHOLAS LESLIE

AN UNCERTAIN outlook persists for executive recruitment in 1977, according to management consultants, MSL. The company says this view arises from there having have a fall in the demand for executives in the final quarter of 1976, following a steady rise in the previous nine months.

According to the company's latest MSL index, demand for accounting and production personnel in the whole of 1976 was at the lowest level for ten years. In research and development a total of 3,194 appointments advertised was less than half the 6,648 advertised in 1966. Sales appointments were also well down on ten years ago, the number advertised being 3,813 compared with 5,474.

Mr. Harry Roff, MSL's chairman, feels the results must be disappointing for those seeking an indication of an improvement in executive demand to match the upward movement of other economic indices.

On a year-on-year basis the position is equally depressing. "The past four years are marked by a considerable slide in executive demand, while the time taken to start the climb back out of the trough is the longest on record," he says.

The total number of jobs advertised in categories included in the index was 20,226, which was well down on the 1966 figure of 31,156. A breakdown shows that in the fourth quarter of 1976, there were 1,036 production jobs advertised, representing a static position compared with the third quarter of 1976, although it was 36 per cent. up on the 1975 fourth-quarter figure.

The next highest number of jobs advertised was 976 in the sales category, a rise of 2 per cent. on the previous quarter and 27 per cent. ahead of the 1975 fourth quarter. Accounting advertisements fell, being 12 per cent. below the previous quarter and 4 per cent. beneath the final quarter of 1975.

The total of 5,025 jobs advertised in the final quarter of last year was 3 per cent. down on the previous three months.

Demand for graduates increases

CHANGING trends in the balance of demand for graduates between the public and private sector are indicated by reports from four top recruitment organisations. At the same time, however, they predict that, with the number of graduates from universities and polytechnics likely to be up by 4 per cent. this year the employment prospects in general for graduates will not be easy.

The organisation said the decline in the numbers of graduates in applied and pure sciences appeared to have halted. At the same time, there had been a "further substantial reduction" in demand from the public sector for graduates, but with a corresponding upsurge in demand from the private sector, particularly from manufacturing industry.

According to Mr. Norman Lloyd, of Aberystwyth University and chairman of the Standing Conference of University and Polytechnic careers services, there seemed a "good chance this year that industry will get their fair share of graduate talent because students are more interested in the private sector, because the private sector has jobs."

The recruitment organisations are the Computer Assisted Placement Service, the Central Services Unit for Careers Services, the Standing Conference of University and Polytechnic Careers Services. They said output this year was likely to be 56,000 first degree university students and 11,500 from polytechnics. Additionally, 17,000 students would be graduating at higher degree level.

Employment law guide

A GUIDE to employment law has just been published which aims to help managers understand the requirements of employment legislation and to appreciate its implications in determining company policy and action.

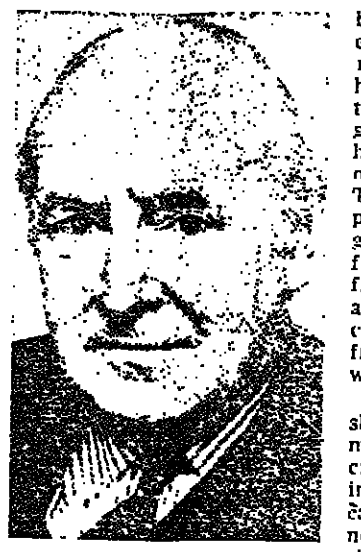
The two authors are senior partners in management consultants, Urwick Orr and Partners. They comment that their aim has been to interpret legislation and provide guidance, not to write a legal treatise and the the book should not be regarded as authoritative in every case.

The authors point out that the employment legislation scene is constantly changing and that, wherever possible, they have indicated areas in which developments are most likely.

Employment and the Law, a management guide to recent legislation, by Richard Pearson and Frank Kenaghan, published by The Financial Times, 10, Bolt Court, Fleet Street, London, EC4, price £50.

COMPANY DIRECTORS BY GEOFFREY OWEN

Case for non-executives



Mr. Lewis Whyte

LEWIS WHYTE, chairman of London and Manchester Assurance, once served as a non-executive director of Associated Commercial Vehicles, the bus and truck company later merged with Leyland. In 1958 he became dissatisfied with the way the company was being run. He consulted another outside director, Herbert Hill. They agreed to ask the chairman to make certain changes and, if he refused, they would resign. Much to their surprise, the chairman, Lord Brabazon, seemed greatly relieved by their intervention and they soon found themselves playing an active part in putting the company right.

Some years later, after a series of mergers which Whyte helped to negotiate, he was serving as a non-executive director of British Leyland. Once again, he was unhappy about the way things were going. He argued strongly that management consultants should be called in to take a look at the company, but he could get no backing from any of the other directors. His advice was rejected.

"Unless at least one of the other non-executive directors is of the same mind," Whyte says, "you are operating under a very severe handicap. You can't do much except resign and publicise the issue, and that achieves very little." There were several specific decisions in Leyland about which Whyte was uneasy, like an Australian large car project and a Spanish investment. But on issues of this sort, where all the technical and marketing know-how is on the side of the executives, it is difficult for a non-executive director to have much influence, especially if he is in a minority of one.

What he can do — and Whyte thinks this should happen more often — is to make sure his dissent is minuted. "You must have the courage of your convictions," he says. "On a big decision, if you have got doubts and fears, they should be stated and recorded." This is more than a matter of being able to say "I told you so" if the decision turns out badly. The other members of the Board, both insiders and outsiders, are obliged to take the dissenter seriously if he insists on his views being formally written down in the Board minutes.

Whyte is a strong believer in the importance of non-executive directors. In London and Manchester's investment policy there is a virtual ban on buying shares in companies which have no non-executive directors. "It's a very dangerous position to be in," he says. He recognises that non-executive directors have frequently been ineffective, but he argues that they must be educated to understand clearly what their responsibilities are and urged to fulfil them.

He thinks the right balance between inside and outside members of a Board is about half and half. "The non-executive director should have absolute integrity, courage and reasonable intelligence. He should bring a breath of fresh air from the outside world. He will not understand all the details of the company's business, but as he listens to executives putting forward their case he will have a pretty shrewd idea whether they are telling the truth or not."

Suggestions that the powers and duties of non-executive directors should be set out in detailed legislation do not appeal to Lewis Whyte. He favours a voluntary code of practice such as that embodied in the Institute of Directors' "Standard Boardroom Practice," originally published in 1961 and recently revised in "Guidelines for Directors." Any newcomer to the non-executive role should make a careful study of this document, he advises.

Whyte draws a distinction between the activities of non-executive directors, who are responsible to all the shareholders, and those of institutional investors who, as a general rule, he says, should not have their own representatives on the Boards of companies. These institutional investors are primarily concerned with safeguarding their own depositors' funds and they must retain the freedom to sell their holding in a particular company if the circumstances require it; this freedom is difficult to reconcile with Board membership.

He believes that institutions should be more active in monitoring management—he is critical of the "corporate and individual laziness" which has caused these duties to be neglected—but he thinks this should be done in other ways than through Board membership.

At London and Manchester he prefers to act as an individual institution rather than in concert with others, but he admits the process is time-consuming. "If you are worried about a company in the Midlands, it will take you several weeks to get to know the business, understand its problems, and form a view of the management." Yet institutions, he firmly believes, must make this effort, possibly hiring specialist staff to conduct the monitoring process, if the shareholder-based system is to survive.

Whyte's personal experience reinforces these views. He was brought into London and Manchester in 1953 as a result of shareholders' pressure. The main instigator was Donald Savory, an actuary and stockbroker who had a profound knowledge of the insurance business and knew what was wrong with London and Manchester. Among other things, it had no non-executive directors. Lewis Whyte had resigned from Equity and Law Assurance shortly before and Savory used his influence to get him appointed to the Board. He became chairman in 1961. Within London and Manchester Whyte has always made sure that the non-executive directors (who represent half the Board) have the character and ability to exert a real influence over the executives. "Our aim for the future," he says, "is to have as good a team as we have now, individually and collectively."

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Bleak outlook for Rhodesia

IN REJECTING the proposals put forward by Mr. Ivor Richard, the chairman of the Geneva conference on the future of Rhodesia, Mr. Ian Smith's Government has taken a fateful decision which is likely to be heavy with consequences, not merely for Rhodesia itself, but also for the rest of southern Africa. One cannot rule out the possibility of a change of mind, on the part either of the white Rhodesians or of the black delegations, which could lead to a new set of negotiations at some future date. But it now looks highly unlikely that the adjourned Geneva conference will be reconvened in its present form. The gleam of hope that the Rhodesia problem might be settled through a peaceful, negotiated transfer of power, which unexpectedly flickered to life last autumn, has faded again.

Kissinger

It is difficult to see what long-term advantage Mr. Smith can believe he has gained by rejecting the British proposals. It may well be that they give rather more weight to the demands of the black delegations than the so-called Kissinger plan which Mr. Smith publicly accepted last September. But within the context of a negotiation which was not about the principle of a move to black majority rule, but about the method of managing the interim government, the differences between the two sets of proposals should not reasonably be regarded as fundamental. Having publicly accepted the Kissinger plan, Mr. Smith may feel his position is morally unassailable if he now rejects the less attractive Richard plan; but that will not strengthen his chances of resuming negotiations on the basis of the Kissinger plan.

For one thing, the four black delegations have from time to time been quite deeply divided over the procedures for a transition to majority rule, and the tentative agreement hammered out between them and the five Presidents of the front-line States will be difficult, if not impossible, to re-forge on the basis of a return to the Kissinger plan. For another, the rigidity shown by the Salisbury régime in what is, after all, a negotiation can expose it to the charge that it was deliberately aiming at a breakdown all along; and it is a charge which gains in credibility from the fact that Mr. Smith now appears to be seeking a separate set of negotiations with partners of his choice, that is, only with the most "moderate" and malleable of black Rhodesian leaders.

Even if he should succeed in opening independent negotiations, it is far from clear that they could lead to meaningful conclusions. Bishop Abel Muzorewa has a substantial popular following inside Rhodesia, but since he does not have direct control over the guerilla forces, an agreement between him and the Smith Government cannot be counted on to bring about an end to the guerilla war. And without the prospect of an end to this war — which in practice means a settlement agreed with the guerilla leaders and endorsed by the front-line Presidents — the outlook for Rhodesia is bleak indeed.

Formidable

So far the guerilla war has not inflicted major loss of life on the white Rhodesian population — far less, indeed, than on the guerillas themselves. But the Rhodesian Government is under increasingly heavy pressure from a war which it is now having to fight on four fronts, and the cost, both economic and psychological, of maintaining a minimal degree of security against guerilla attacks must become progressively more formidable. The breakdown of the Geneva negotiations makes it likely that the intensity of the attacks will be stepped up, and lead to a heavier and heavier drain of manpower away from economically productive activities into a war which cannot ultimately be won.

With the failure of the Richard mission, the only man who can now bring Mr. Smith back to the negotiating table is Mr. Johannes Vorster, the South African Prime Minister, since his Government could exert a stranglehold on Rhodesia's major supply lines. Mr. Smith may believe that, by sticking consistently if rigidly to the Kissinger package, he can enlist the support of white South African opinion; he may even believe that South Africa might lend him military support. One cannot, of course, rule out the possibility of a rush of sympathy among white South Africans for their Rhodesian neighbours, though it would seem to be irrational of Mr. Vorster to add the problems of a guerilla war in Rhodesia to the already serious domestic political difficulties inside South Africa. But whatever Mr. Smith's hopes, it is difficult to imagine that they will protect him from the consequences of refusing a negotiated settlement.

Planning agreements should be dropped

ONE OF the elements of the industrial strategy which has often been given a prominent place in Ministers' speeches is the system of planning agreements. Yet no agreements have yet been signed and Mr. Eric Varley, Secretary for Industry, yesterday admitted his disappointment with the results of the exercise so far. There appears to have been no enthusiasm on the part of either unions or management. The sensible course now would probably be to forget about the whole idea, but, regrettably, a commitment to planning agreements was made in the Labour Party Manifesto and some attempt will presumably have to be made to keep them alive.

Assistance

The Manifesto spoke of a system of planning agreements "between the Government and key companies to ensure that the plans of those companies are in harmony with national needs and objectives and that Government assistance is deployed where it will be most effectively used." During the Parliamentary discussions leading up to the passage of the Industry Act 1975 a number of other objectives were stressed by Ministers, notably the need to compel, or at least to encourage, companies to disclose their forward plans to trade unions. Quite how these conflicting purposes were to be accommodated within a single document was never made clear. The result, not surprisingly, has been nothing at all.

The concept of planning agreements probably stemmed from the view that a number of big companies have an important influence on the level of employment, capital investment and exports, and that if they are left to their own devices they cannot be trusted to make the sort of decisions which the country needs. Short of taking them into public ownership, some means must be found of aligning their interests with the national interest—hence the idea of an agreement with the Government (to which the trade unions would be a party), which would commit the management to a particular course of action.

Apart from a general desire to keep on friendly terms with Whitehall, there is no incentive for companies to participate in the scheme. The Labour Left has consistently pressed for compulsory planning agreements and for using them as the vehicle through which to channel Government assistance. So far the Government has shied away from this, but in the reappraisal which is now to take place new inducements for companies are likely to be considered.

Negotiations

Planning agreements and selective assistance to industry appear to march hand in hand. Some people on the Left might argue that money should only be paid out to companies which have signed a planning agreement, since that is the only way in which the Government can ensure that the money is spent in the national interest. Yet it is surely questionable whether an industrial strategy which relies on individual negotiations between companies and the Government is either feasible or likely to achieve results. The Department of Industry would be well advised to arrange a decent burial for planning agreements and concentrate its energies on more constructive tasks.

What the brewers have to pay for their lager

BY KENNETH GOODING, Industrial Correspondent

Freddie Mansfield

Keith Showering, chairman of Allied Breweries.

APART FROM being Europe's biggest drinks group, Allied Breweries has proved itself an efficient marketing organisation by building up brands like Double Diamond, Skol, Long Life, Harvey's Bristol Cream, Britvic juices, Coates ciders, Babycham perry, Nicolas wines — to name only a few of the better-known — in the U.K. So you would expect the group to do a good job of promoting its own "image."

But the recent announcement that Allied is to embark on a £164m. capital expenditure programme over the next two years was much more than a simple public relations exercise. Admittedly, though, the timing could hardly have been better.

For the industry as a whole—not just Allied Breweries—is under attack again. This time the brewers are being criticised for raising beer prices while at the same time reporting substantial profit increases. The clamour is coming not only from some Labour MPs and Mr. Roy Hattersley, Prices Secretary, but also from public-house tenants, a more unusual direction.

The publicans have been suffering from the effects of the recession, the pay policy and inflation which have combined to drive their customers either into drinking more at home or, at the very least, drinking less when they do visit a pub.

The prospect of another 2p a pint on beer (1p from the brewers and 1p as a result of the mini-Budget) this month has roused the publicans to strong protest. They fear that the latest price rises will have a very severe effect on pub takings.

While dealing with this disturbance from within its own ranks, the brewing industry is at the same time trying to fend off Mr. Hattersley who is determined to refer beer to the Price Commission. In this battle the brewers have the support of the Ministry of Agriculture, which seems to feel that the Department of Prices has concentrated a disproportionate amount of its time on food and drink and that a reference of beer prices to the Commission does not exactly fit in with the Government's declared intention of encouraging a healthy private sector.

This point was pressed by Mr. Keith Showering, chairman of Allied, when he announced the investment programme. The Government and the unions had urged industry to invest, he said. "We are responding to their calls with an act of faith in the Government's declared policy that it will encourage a profitable private sector of industry, and in the TUC's support of that policy."

Milking as much as possible from the situation, Mr. Showering also persuaded Mr. Jack Jones, general secretary of the Transport and General Workers Union—the union with the biggest representation within Allied—to add his comments about the investment plans. Mr. Jones was so enthusiastic about the scheme that he offered to join Mr. Showering at any Press conference to be held or in any television interviews that might be given.

"In response to the decision of the company, the union will certainly do what it can to strengthen the already very good labour relations between the company and the union, and I am sure this will go for other trade unions too," commented Mr. Jones.

This struck some observers as slightly ironic, in that it was an inter-union dispute involving members of Mr. Jones's TGWU and the National Association of Licensed House Managers which brought Allied's Ansells brewery at Birmingham to a halt for three months and cost the group an estimated £5m. in lost profit during the 1975-76 financial year. But to be fair, the sentiment probably gave Mr. Showering considerable pleasure because since he took over as chairman 16 months ago he has concentrated a great deal of his energy on putting labour relations within Allied into better shape.

So much for the window-dressing with which Allied managed to surround its capital investment programme announcement. What it tended to obscure a little was that Allied really needs to spend heavily because, with the rest of the brewing industry, it has been caught up in a major change in the market. Demand for lager beer has outstripped all but the most optimistic expectations.

In 1970 lager accounted for about 7.5 per cent. of the beer sold in Britain. Last year it had around 22 per cent. of the market. During this time total beer sales rose by only 2 per cent. to 3 per cent. a year. The brewers are not complaining. Lager tends to be a high-price, high-profit product compared with many traditional beers. So the industry has backed the trend by putting a tremendous promotional effort behind lager. But the brewers also have to face the uncomfortable fact that, although you can brew English ale at a lager brewery, it is not possible to brew lager at a traditional English brewery, unless you spend heavily on new capital equipment. You need big steel tanks in which the lager can mature and cold rooms to keep its temperature down, and these are costly items.

Without the necessity to provide more lager, the U.K. brewers would need little, if any, new brewing capacity over the next four or five years, because they expect very little growth in total beer sales.

However, brewing lager actually cuts the amount of beer you can get out of a brewery over the year. Because of the peaks and troughs in demand for beer (if only Britons drank as much in cold weather as in hot the brewers' life would be so much easier) the brewers reckon to produce about 80 per cent. of a brewery's nominal capacity over a year if it is turning out English ale. With lager they estimate that output comes down to 60 per cent. of nominal capacity because the peaks and troughs are much more severe.

One theme is voiced by brewing groups big and small: "We must invest because of the growth in lager demand." At the heavy end of the scale this has resulted in Whitbread, which makes Heineken in the U.K., deciding in July to go ahead with a £30m. brewery at Magor, South Wales, a project it shelved in 1974 at a time when the Price Code was causing the industry some problems. The new plant will fill a vital geographical gap in the group's network of lager breweries and will provide at least 500 jobs. Whitbread already has plans to expand the Magor brewery, at the cost of a further £20m. at 1976 prices, almost as soon as the first phase is completed and running smoothly.

Courage, the Imperial Group's brewing subsidiary, also provides a prime example of how the pace of the lager boom has kept the brewers running to keep up. In October, 1975, Courage revealed plans for a new brewery at Reading, mainly to provide the group with lager and other "bright" beers. The idea was for the plant to come on stream in the spring of 1980. Last November Courage announced that work had been speeded up and that the brewery would be operating by March, 1978, and producing beer a year earlier than first planned.

Even those major companies which invested heavily in the late 1960s and early 1970s on new breweries with lagering capacity are having to dig into their corporate pockets again. Bass Charrington, only months after formally opening its new Runcorn brewing complex—one of Europe's largest—had to spend again to provide enough capacity to brew Tuborg lager, a product it has just added to a list already taking in Carling Black Label and Tennents.

Not a space station, but the fermenting room of the Skol brewery at Wrexham.

Watney Mann Truman Brewers, the brewing arm of the Grand Metropolitan Group, has a brand new lager brewery at Stepney in London but even so last autumn revealed a £7.5m. capital expenditure programme for its brewing and distribution facilities because "the continued growth in the lager and draught beer markets are involving the company in investments in lagering and kegging facilities."

It is not only the bigger companies which have been swept up in this need for lager investment. Higsons Brewery, for example, said just before Christmas that it had planning permission to develop a seven-acre site next to its Liverpool brewery so that it could produce lager, and that it had called in consultants to help with the project.

It is thus easy to understand why the industry expects such a big jump in the investment it must make in beer production and distribution facilities over the next three years. According to recent estimates, total capital spending in this part of the brewing business, was £115m. in 1976. The forecast is for this to rise sharply to £180m. this year before dropping back slightly to £170m. in 1978 and £160m. the following year (all at 1976 prices).

In Allied's individual case the figures are perhaps more spectacular, as befits the second-largest of the British brewers. Last financial year the group's total capital expenditure (not just on brewing and distribution) came to £38m. Admittedly this was a fairly low level of investment for Allied and was, in real terms, about a third below the peak reached in 1972-73. But even so the proposed jump to £80m. this financial year is impressive.

Mr. Showering says: "The Board recognises that the present high level of interest rates constitutes a disincentive to investment and in approving a programme of this magnitude it is, therefore, taking a long-term view of prospects within the brewing industry, and of the company's requirements. At the same time Allied is linking investment plans with the Government's economic strategy."

In the context of the industrial strategy there is an obvious lesson to be learned from Allied's proposals. At the time the decision to go ahead with the massive—by U.K. as well as industry or company standards—investment programme, there were a number of factors which slotted neatly into place.

First, the group needed extra capacity to cope with expected demand. Secondly it needed to change production methods to incorporate what for the U.K. is relatively new technology. Thirdly it had the finance available through its own reasonable profits and strong cash flow topped up with borrowing facilities from ordinary commercial sources. And the amount it needed to borrow was not particularly great compared with shareholders funds. Given all these factors it is a rare company that would not be willing to invest.

MEN AND MATTERS

Rammed

Beware of Governments bearing gifts is now the watchword of the Mayo County Council in the west of Ireland, which is setting up a special system "to check and double check" any future give-aways by the Department of Agriculture in Dublin. This surly lack of gratitude follows the sad saga of the 57 rams that well-intentioned officialdom recently provided free to local farmers to improve breeding strains.

The gift was part of Ireland's £100m. programme to raise livestock quality and eradicate disease, but someone blundered, say the Mayo farmers. Many of the rams have infected their contacts and there has been a serious outbreak of a disease called sheep scab. The rams have now been segregated.

Embarrassment at the Agriculture Department has been compounded by Northern Ireland's sudden announcement that it will be imposing rigorous TB tests on live cattle from the Republic; a practice that could cut to a trickle a trade that has been worth £27m. a year.

"This time try to design something that doesn't burn the candle at both ends."

Norwich life

Peter Sharman seems to be the first head of a life assurance group based in the provinces to become chairman of the Life Offices Association, which has been going for 88 years (the doughty Scottish life companies, incidentally, had organised themselves into a similar body a full 40 years earlier). Sharman has no particular love for London, being glad of the extra reading he gets through on the two-hour train journeys between the capital and Norwich Union's home city.

There can scarcely have been a time in those 88 years when the LOA has had to grapple with politics and politicians as much as it does now. Sharman, who true to association form has had two years as deputy chairman, echoes the general satisfaction with the cordial day-to-day relationships with Whitehall. But he is chary of making any comfortable assumptions about how receptive the next generation of Labour leadership will be to demands from the Left for investment direction and the bogey of nationalisation.

After an honours degree in mathematics at Edinburgh, Sharman went straight into Norwich Union, rising to become chief general manager two-and-a-half years ago. Such a straightforward career is unlikely to produce a radical and it is hard to imagine the LOA being ready for one. He and others in LOA are confident of being able to put over a good case to the public with sweet-reason arguments, like those in a leaflet produced a few months ago ("Life offices do not speculate with your money" and so forth) which was circulated to the association's 79 members for passing on to customers.

Sharman is keen on "a limited amount" of such publicity; a few years ago the LOA's sister organisation the British Insurance Association had reason to rue its "Get the strength of the insurance companies around you" campaign which was punctuated by the large Vehicle and General failure.

As to the political arena, there is a detectable eagerness to present cogent evidence to the committee under Sir Harold Wilson which is to inquire into the City; an LOA steering group starts work this week on the industry's Wilson evidence.

The insurance people were pleased to see one of their own on the committee, Gordon Bayley, director of the National Provident Institution. "And a former LOA chairman too," observes the new chairman quickly.

All change

For Japan Airlines the year 1984 has long had a rather special significance. By that date the company planned to phase out its last non-Japanese pilot after years of heavy dependence on foreign flight personnel. Foreigners were taken on to keep pace with JAL's rapid expansion over the last 15 years and also to compensate for the shortage of skilled Japanese pilots which resulted from the seven year civil aviation moratorium imposed on Japan by the U.S. occupation authorities after the war.

But this deadline now looks like being brought forward following the crash of a JAL DC-8 at Anchorage in Alaska on January 14. The non-Japanese pilot's blood alcohol level was found to be double the limit allowed by the Alaskan state driving laws.

The crash was the first on a JAL international flight since 1972 and prompted Transport Minister Hajime Tamura, to instruct JAL president Shizuo Azada to replace foreign flight staff by Japanese "as soon as possible." Officially JAL does not admit a connection between drinking habits and nationality. But the crash has re-awakened controversy in Japan about the foreign pilot issue and the Minister's letter clearly linked the two issues.

JAL's no drinking-while-flying rules are already strict. They prohibit any alcohol intake by flight crews 12 hours before a flight. But the Minister clearly believes that monitoring will be easier with an all-Japanese crew.

At present JAL has 119 foreign captains on international flights as against 423 Japanese captains who fly both domestic and international routes.

Peek in

Cunard; courtesy of the Government of the Peoples Republic of China, has just added Peking to the optional shore visits to a select group of travellers on the current QE2 world cruise, the ultimate in package tour holidays.

But, whereas 700 of the 1,300 passengers on board will be spending three days in Canton, only 50 have been allowed to go on to the Chinese capital. Cunard is giving first option to the select band of some 250 passengers who sailed with QE2 on its first round the world cruise two years ago. On this criterion it will be a highly unproletarian group which eventually sets foot in Peking in the first week of March.

The round trip was expensive enough the first time but the sterling price of the trip has gone up by more than 40 per cent. since then. The occupants of the two duplex penthouse suites, an American gentleman in one and a "German lady connected with show business" in the other are, for example, paying £62,080 for the privilege on this trip. Life should be cheaper in Peking.

Observer

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SOCIETY TO-DAY BY JOE ROGALY

MPs' chance to support democracy to-day

CONSERVATIVE members of Parliament have a rare opportunity to-day. They will be permitted to vote according to their own beliefs, and on a matter of principle. At first sight the opportunity may not seem very important: it is, after all, merely to do with the method by which the proposed new Scottish and Welsh assemblies will be elected. In fact it could be of profound importance, since the greater the vote in favour of proportional representation for these assemblies the further we shall have travelled along the road towards overall constitutional reform and a consequent shoring-up of our democracy.

For some people that last sentence may be an undigestible mouthful, so the best thing to do is to explain it at once. The story starts—as all stories must start nowadays—with the emergence in autumn 1974 of a Labour Government that rested on the support of fewer than three out of ten of the registered voters. We have had minority governments before; indeed Parliamentary majorities based upon less than half the available votes are the rule and not the exception—but this time there was an important difference.

This Labour Government made itself the creature of both the trade unions and the worst absurdities of its own ideology. It then proceeded to inflict the consequences upon the rest of us. Anyone who believes in democracy should be prepared to resist, with all his or her strength, the imposition of, say, cold-hearted right-wing conservatism by a Tory Government that had been put into power by a minority of voters; equally the attempt to "move forward to socialism" cannot be accepted by democrats when a large majority of the people are against it. Deeply ideological government is in itself unattractive; its imposition by a minority imbued with the arrogance of temporary power is simply not tolerable.

There is a complacent reply to this, and most of us have heard it. In Mr. Callaghan, it is responded, we have a conservative Prime Minister; in the "social contract" and the new persona of Mr. Jack Jones we have an essentially middle-of-the-road policy that does not threaten us with full-blooded socialism. Those genuine democrats who are currently bemused by this view will not let it go until a shock—Andy Bevan perhaps?—opens their eyes. The rest of us will note, with increasing dismay, the growing pile of ideological concessions made in the name of the "social contract" and almost certainly against the instincts of the seven-tenths of the people who did not vote for this Government in 1974, plus a goodly proportion of those who did (and including, no doubt, Mr. Callaghan himself).

Brake

Constitutional reform would not in itself halt this continuing erosion of democracy in Britain, but it would make the process far more difficult. Proportional representation at Westminster would oblige ideological parties to win the support of at least half the voters before being granted the opportunity to put their proposals into law. A Bill of Rights would be at least a brake on the speed of removal of the protection given by the law to the individual. A reformed, wholly-elected House of Lords would be a counterweight to the excessive use of executive power by a Government whose support rested in the lower house alone.

But wait, many Conservatives will protest. None of this is really necessary. If *we* win the next election most of the ideological legislation enforced by Labour will be repealed — the Community Land Act, the National Enterprise Board and all the rest of it. Democracy will be restored. Thoughtful *Conservatives will reject this view.*

For a start, the prospect of a Tory landslide at any early election has already begun to recede; the opinion polls are telling us that the enormous lead over Labour recorded at the worst moments of the closing gloom of 1976 has been sharply reduced; while the better headlines of 1977 can do the Government no harm. The outcome of the next election, like its date, is still in doubt.

Even assuming that Mrs. Thatcher is returned to Downing Street, will the present threat to democracy be averted? Mr. Prior is not going to touch the closed shop; we have his word for that. The unions will be treated very gingerly indeed; that promise is already being made. And at the end of the day there will be another election — with a chance of power for what by then could be an even more determinedly Left-wing Labour Party (under Mr. Benn?). There are no prizes for guessing the year in which that fateful vote could be counted.

In the unlikely event that the British electorate *wants* a truly authoritarian Government in the 1980s it will have one. You and I could not stop it. Meanwhile, we can try to make certain that such a thing does not come about as a result of an electoral accident, for that kind of accident — in which a small minority elects an unwanted Government — has happened too often already. Those who place the continued existence of democracy in Britain above the chance for their own party leaders to rule in splendid isolation for the short period during which the pendulum swings their way will see that the logical action to take is to vote in favour of constitutional reform.

"Those who place the continued existence of democracy in Britain above the chance for their own party leaders to rule in splendid isolation for the short period during which the pendulum swings their way will see that the logical action to take is to vote in favour of constitutional reform"

Even so, some may respond, that is very high-flown and far away from to-day's amendment, which provides for a particular form of PR for the Scottish and Welsh assemblies. There are two answers to this; the first has to do with the present Bill and the second with the wider issue. The case for PR in Scotland is particularly strong, for the two-party system (which alone can "justify" the traditional British method of first-past-the-post voting) no longer exists up there.

In a first-past-the-post election, with at least three, and possibly four, parties sharing the allegiance of the people, the vast majority of Assembly seats would probably be taken by whichever party was able to attract a *quarter* or *third* of the votes. On the pre-Christmas showing that could be the Conservatives — although their votes are concentrated in the east and they could still fail to win many seats in spite of a lead in popular support. On present showing it could be the Tories or Scottish Nationalists; another time it could be Labour, even though it has to be said that at present that time looks pretty far away. The smaller parties in Scotland — the Liberals and Scottish Labour Party — complicate this arithmetic yet further, while the Government's proposed methods of voting — giving multiple votes as in local council elections — simply magnifies the distortions of the first-past-the-post system.

For Scotland, therefore, anything other than PR would be neither fair nor workable; only a diehard Westminster authoritarian could vote against to-day's amendment with a clear conscience. Some of those MP's who acknowledge this and yet go on from there to the "realistic" conclusion that the great majority of their colleagues will even so reject the amendment might pause before following the crowd.

For the movement in favour of constitutional reform is growing. The Lords will almost certainly insist on a proportional - representation amendment to the devolution Bill; PR's chances of survival after that will be enhanced if to-day's vote in its favour is decently large (50? 60?). The adoption of proportional representation in the Celtic assemblies will of course be used by proponents of the argument in favour of its use for election to Westminster, as will the logic for PR for direct election to the European Assembly. At the same time devolution itself is evidence of the need for a written Bill of Rights and a written agreement about the division of powers between the centre and the regions. At the end of that road lies a written constitution.

Meanwhile the Labour Left wants to abolish the House of Lords; defenders of democracy will want to put a wholly elected senate in its place. Such measures can only strengthen the rule of law: the debate between the Attorney-General and the Appeal Court judges last week was further evidence that under present arrangements the House of Commons is badly placed to act as a protector of the people. Every MP has a chance to help forward the long and complicated process of reform that might rectify that, by voting in favour of PR for the Scottish and Welsh assemblies to-day.

* * *

MOST serious long-term reform in Britain will be impossible while the adversary system of politics is maintained by means of first-past-the-post voting for Westminster's parliament. That is why the latest attempt to draw attention to the need for a reform of our welfare state must be greeted with the sad resignation of those who know from experience that, whatever happens, the Labour and Conservative parties will kick it about until it is unrecognisable.

Yet the National Consumer Council's call for a "Beveridge-type review" of all social benefits, published to-day,* is understandable. The council lists no fewer than 45 national and local means-tested benefits, from the provision of wigs to meals-on-wheels, and makes the useful point that if the efficiency of most of these were measured according to standards used for most products or services their very reason for existence would be called into question.

The purpose of the new review, says the council, "would be as expeditiously as possible to outline a plan to reconstruct our tax and social security systems to work in such harmony that according to need, they give as well as receive." The council's idea is that "one basic means test of the kind now incorporated in the tax system would replace many, one payment either in or out of the Exchequer would replace the dozens and dozens of payments at present made to the Exchequer and even more out of it. . ." This would save administrative costs and give a system of social security "which human minds could comprehend and human hands control."

That is one route; the difficulty with it is that we have behind us generations of experience that teach that some people cannot be helped by giving them cash; they need more direct and personal care. No new Beveridge could get around that, although saying this is not the same as saying that the effort to produce as much simplification as possible would not be worth it. Another route, indicated by the consumer council's study of continental systems, is to move towards more genuinely insurance-based social security, although that would amount to a complete abandonment of British tradition in these matters. In any case, we will only get something sensible when all the major parties are obliged by a new constitutional system to talk more sense to one another, and to the rest of us.

** Means Tested Benefits. National Consumer Council, 18 Queen Anne's Gate, SW1. 75p.*

Letters to the Editor

Unpaid tax collectors

From Mr. R. Britton.

Sir,—The 1976 Finance Bill contained provisions for the introduction of a system for individual insurance companies to collect premiums which qualify for tax relief, net of tax. The system is due to be implemented in the year 1979-80 and is expected by the Inland Revenue to achieve a saving of about 1,000 tax office staff.

The introduction of the system poses several serious problems for the industry which faces the burden of setting up new standing orders or direct debits with changed premium amounts. Not least of the problems is that as we begin 1977 the detailed requirements of the system have still not been announced.

One of the major companies has about 1.5m. direct debit cases and the cost of the clerical work involved is expected to be between £2 and £3 per mandate. Even disregarding the future clerical burden of accounting for, and recovering, the tax amounts deducted, and the adverse effect on cash flow, the total cost to the industry in making the changeover is likely to amount to well over £20m.

It thus seems that the insurance industry is required to pay some £20,000 in order to reduce the Government's public spending by one civil servant. Another interesting comparison can be made: Government sponsored job creation programmes provide employment at costs up to about £1,300 per job. It seems that we could thus assume that the loss of one civil servant could finance 20 new jobs in industry. This is certainly a novel way of persuading the major investors to re-invest in industry.

Richard Britton.
Red Roofs, Templewood Lane, Farnham Common, Bucks.

Working abroad and tax

From Mr. A. Jacobs

Sir,—The Government is being urged to resist the Inland Revenue's proposal to restrict the 25 per cent. deduction to overseas earnings of someone who works abroad for a continuous period of 30 days or more. It is suggested that the Inland Revenue should be more generous in its tax treatment for employees resident in the U.K. who spend a great deal of their time travelling abroad on business. Reasons given for more favourable tax treatment are that it is very much in the national interest for employees to travel abroad on business and equally that such work is most onerous and disturbs family life. I can vouch from my own experience that this is true.

Yet should we not consider whether, for example, a salesman spending a great deal of time away from home and working in the U.K. does not suffer also the same disabilities, and can it not be claimed, for example, that a miner's work on night shift is both essential to the economy, extremely onerous and disruptive of family life?

There seems, therefore, to be absolutely no case whatsoever for especially favourable tax treatment for people travelling overseas on business to increase either exports or imports. If as an employer one finds that to travel frequently overseas on business is both necessary and yet hard, one must properly reward such employees with higher remuneration; this is surely no different from the just argument that miners, because of the arduous nature of their work, should receive more than the average industrial wage.

The root cause of the need for special tax treatment lies in the exorbitant rates of income tax charged at both ends of the earnings scale. To charge 83 per cent. of a person's salary on the upper income bracket is, of course, punitive, but not more so than to charge 41 per cent. income tax and national insurance on every £ of income of a single person earning more than £14 a week, and a married person earning more than £21 a week. There are far too many arguments for special tax relief, whether on mortgage interest, bank interest, overseas earnings, car allowances, life insurance, etc., which are all required to offset the excessive proportion of Government revenue which is obtained from personal direct taxes as opposed to indirect and social security taxes.

Anthony Jacobs.
20 York Terrace West, N.W.1.

The 'in-or-out' argument

From Mr. R. Colbran

Sir,—In all the recent correspondence on pensions there is one point about the safety net which has not been mentioned. At a very late stage in the passage of the Pensions Act, a provision was introduced that schemes which ceased to contract out would be protected against earnings increases exceeding 12 per cent. per annum over the previous five years. This amendment was rushed through and subsequently discovered to be faulty. It was found that the protection only applied if the benefit were bought back from the Government and did not apply where the liability for all the benefits was retained in the scheme.

From Mr. Paterson's letters (last one January 18) one might infer that this point only affected insured schemes. In fact one can envisage many circumstances in which a privately invested scheme which ceased to contract out would want to retain all the liabilities and not pay State scheme premiums. I understand that the necessary amendment has been tabled to the Social Security (Miscellaneous Provisions) Bill which is at the moment in the Committee Stage in the Commons. If this amendment is accepted, it will remove one of Mr. Paterson's main worries.

R. B. Colbran.
6, Ranmore Avenue, Croydon.

No practical help

From the Director General The British Security Industry Association

Sir,—I wonder if I might use your columns to draw attention to a quite extraordinary situation which the present Government allows to exist in my industry and possibly elsewhere.

It has been alleged that the Government is concerned about the plight of the unemployed—there are, after all, an extremely large number of such people, about 1½m. The more surprising, therefore, is the attitude of the Government towards the provision of worthwhile employment. In the past six months, the commercial and industrial sector has been obliged to cope with the introduction of the heaviest burden of employment legislation ever imposed by a British Government. Not only has this required an undue proportion of executive time to be devoted to the interpretation of legislation and the implementation of requirements but it has acted as a disincentive to the employment of people in various capacities.

Yet when people required practical help from this Government, it is not forthcoming. In my industry, it sometimes happens that a security company, having found suitable people via Government job centres or employment exchanges, desires to give those people some basic training prior to offering paid employment elsewhere within the industry, but discovers that the Department of Health and Social Security stops the payment of unemployment benefit—thus obliging the prospective employee to make the painful decision as to whether to prepare for a worthwhile job or remain unemployed.

Quite recently, the Secretary of State for Employment was asked if he would change the present position which permits training allowances to be paid to around 7,000 people annually who are completing training opportunity programme - sponsored courses in construction trades, while excluding the eligibility to either training allowances or unemployment benefit to unemployed people who are completing vocational training outside the TOPs scheme. Sadly, the Minister advised that he had no plan to extend the payment or to allow unemployment benefit to be made available to people who are undergoing vocational training. This seems an extraordinary approach.

John D. Wheeler.
14, Tottenham Street, W.1.

Inflation accounting

From Mr. D. Ross

Sir,—Much of what I read and hear say two things to me with regard to the adjustment of accounts for inflation: we are unclear about our objectives, and many people are unsure about how to adjust accounts for inflation.

Our objective is to adjust accounts fully for inflation. We cannot achieve this by dealing with the items on which there is some agreement about the mechanics and deferring, or leaving to local decision the treatment of the more controversial aspects. In this way we only do half of the job, and the resulting accounts are open to ridicule. Many groups will not find the accounts of great value. Trade unions are particularly unlikely to accept them because in the case of many companies the inclusion of the benefit resulting from long term debt has been omitted.

I believe much of the reason for this unsatisfactory situation rests with the fact that the above objective is not properly understood and there is a lot of unclear thinking in the arguments. To make my own position clear on the most important woolly area, I believe that discussion should centre on how, and not whether, monetary items should be included. Accounts have not been fully adjusted until these are dealt with.

There have been many calls for an extension of the discussion period. I support this in the hope that this will enable discussion to move forward in answer to the question "How?" rather than "Dare we?"

David Ross
127, Farnham Lane, Farnham Royal, Slough, Berks.

Wrong energy road

From Mr. B. Harlow,

Sir,—I feel that your correspondent on January 20 is also on the wrong energy road because coal supplies like gas and oil will be depleted by about the middle of the next century at the latest. In any case the cost of mining increasingly inaccessible fossil fuels will probably outstrip their energy value to us before that time. Nuclear fuels will be extremely expensive, in short supply and a hazard to the future of mankind. Should we not therefore put our research resources into solar energy extraction including the harnessing of wind and wave power. The capital cost will be enormous but the running cost minimal and the danger to the environment nil.

B. Harlow,
7, Thames Meadow, Hurst Park, West Molesey, Surrey.

Sandwich students

From Mr. T. Jones

Sir,—An otherwise interesting careers article by Bryan Webster (January 15) suffered by omitting to mention the polytechnics' role in producing graduate managers for manufacturing industry and otherwise supporting the education debate.

As an executive in industry, surely Mr. Webster knows how much Britain's 30 polytechnics are doing to produce science and technology graduates to provide the expertise we so badly need? The polytechnics specialise in meeting the requirements of industry, often through the medium of sandwich courses.

There is the further advantage from the nation's point of view, that having maintained contact with industry, often with one particular firm, throughout his/her course, the sandwich student usually has a job to go to on graduation, unlike his full-time counterpart. So talent does not go to waste and the dole queue is not further stretched.

I was also a little sorry to see that the article took a somewhat negative turn in its later stages. We can all quote examples of people in one sector earning more than elsewhere. Teachers in particular seem to be getting a bashing at the moment. But how many us (a) could really do the other man's job? (b) would really want it? So many "comparisons" do not compare like with like.

I say let's all be more positive stop griping about the other man and get on with producing the wealth necessary to get this country out of the red.

Tim Jones.
37, Fabis Drive, Clifton Grove, Nottingham.

Profligate spending

From Mr. S. Penwill.

Sir,—With reference to Mr. R. Redman's letter on accounting and inflation (January 19) and his reference to the causes of inflation, are not the following substantial contributory factors?

A continuous provision of an increasing standard of living by annual increments relative to age or length of service regardless of correspondingly increased productivity or responsibility. The annual wage negotiations by unions with industry resulting in increases in wage costs in excess of increases in productivity. The so-called social contract, cooked up by Mr. Jones, whereby virtually every member of a union received last year an increase of £6 a week, and will receive this year a further increase of £4 a week, irrespective of any increase in the production of wealth.

Apart from profligate spending by the Government, inflation will never be cured until the reward and the effort are reconciled, as is the case with most self-employed members of the community.

S. W. Penwill.
158, Fenchurch Street, E.C.3.

To-day's Events

GENERAL

Provisional unemployment figures for January issued by Department of Employment.

President Giscard d'Estaing of France ends official visit to Saudi Arabia.

National Farmers' Union two-day annual meeting begins Central Hall, Westminster. Prince Charles attends NFU annual dinner, London Hilton, W.1.

Mr. Alex Jarratt, chairman and chief executive, Reeds International, gives 1977 Livery Lecture, "Printing and Publishing—the Economic Future." Stationers' Hall, E.C.4.

Massey-Ferguson seeks writs in High Court against 379 employees for re-possession of offices and entrance gates at its Bann Lane, Coventry, plant.

CBI London and South Eastern Regional Council meets.

Mrs. Winifred Ewing, Scottish Nationalist MP for Moray and Nairn, addresses Tory Reform Group lunchtime meeting.

Mr. Constantin Stanciu, Romanian Deputy Minister of Foreign Trade and Economic Co-operation, speaks to London Chamber of Commerce and Industry on opportunities for British trade in Romania, Cafe Royal, W.1, 4 p.m.

Sir Robin Gillett, Lord Mayor of London, visits Customs and Excise, King's Beam House, Mark Lane, E.C.3.

PARLIAMENTARY BUSINESS

House of Commons: Scotland and Wales Bill, committee.

House of Lords: Criminal Law Bill, committee. Social Security (Contributions, Re-rating) Order. Town and Country Planning (Scotland) Bill, third reading. Marriage (Scotland) Bill.

Select Committee: Nationalised Industries (sub-committee A). Subject: British Rail. Witnesses: National Freight Corporation.

COMPANY RESULT

Houchin (half-year).

COMPANY MEETINGS

Central Manufacturing and Trading, Savoy Hotel, W.C., 12. Davenports Brewery, Birmingham, 12.15.

OPERA

English National Opera production of La Traviata, Coliseum Theatre, W.C.2, 7.30 p.m.

BALLET

Royal Ballet dance La Fille mal gardée, Covent Garden, W.C.2, 8 p.m.

MUSIC

London Symphony Orchestra, conductor Aram Khatchaturian, with Nicolai Petrov (piano), play Khatchaturian's Symphony No. 3, Piano Concerto, and excerpts from ballet music, Royal Festival Hall, S.E.1, 8 p.m.

EXHIBITIONS

William Caxton Exhibition, British Library, Great Russell Street, W.C.1 (until January 31). "Unofficial" art from Soviet Union, ICO Galleries, The Mall S.W.1 (until February 27).

COMPANY NEWS + COMMENT

Bamford advances by 23% to top £0.76m.

TURNOVER OF agricultural machinery etc. manufacturers Bamfords rose by 13 per cent. from £10.96m. to £12.36m. in the year to September 30, 1976, and after depreciation of £173,880 against £168,840 and interest of £362,138 compared with £377,555, pre-tax profits advanced by 23 per cent. from £618,063 to £763,440.

At midway, reporting an increase in profits from £339,000 to £392,000 on sales of £6.23m. (£5.91m.), the directors said that the company had suffered increased costs in the second-half, but sales and profit levels would be maintained for the full year.

After tax of £412,183 (£351,498) earnings are shown to be up from 4.73p to 7.03p per 20p share. The dividend is lifted from 0.8p to 0.88p net costing £44,000 (£40,000).

The directors state that sales for the first three months of the current year show an increase and the forward order book position on both home and overseas markets has improved, mainly because dealers' stocks were at a low level at the end of last season.

● comment

If exceptional items are excluded, profits at Bamfords jumped 61 per cent. in the second half, thanks to the end of de-stocking by dealers. Another helpful factor was the new range of mowing machinery which increased the proportion of products manufactured by Bamfords itself—the higher margin products. The last two seasons have been exceptionally bad for hay-making machinery because of the dry summers. But the silver lining of depressed volume has been stable stock levels and, in Bamfords' case, reduced borrowings. When a normal wet British summer arrives, turnover and profits will improve but stocks will have to rise again. And although the smallish yield at 26p of 5.4 per cent. is covered nearly eight times, high stock levels will doubtless make the cover on Current Cost Accounting look much less impressive.

HIGHLIGHTS

Lex takes another look at the market, in particular gilts, as well as the bid by Guinness for White Child and Beney. Terms here are 130p cash or one Guinness share for every two WCB. Elsewhere, Bamfords has finished the year on a strong note thanks to the end of de-stocking by the dealers, while ACE Machinery has maintained the growth-trend throughout the year. Alexanders seems to have suffered more than Union Discount with a drop of more than 70 per cent. in disclosed profits, against the 40 per cent. at UD. Econa has continued where it left off last year with a more than double mid-term profits figure.

Dewhurst & Partner steady second half

After being down by almost half to £52,690 at halfway, second half pre-tax profit of electric control manufacturers, Dewhurst and Partner was steady at £112,665, giving a year-end (to September 26, 1976) total down from £212,176 to £165,355.

Earnings per 10p share dropped from 1.36p to 1.03p—dividend total is kept at 0.8p net with a 0.561p final (same).

	1975-6	1974-5
Turnover	3,436,949	3,657,891
Pre-tax profit	165,355	212,176
U.K. tax	92,281	106,356
Overseas	9,176	7,416

£0.33m. for Econa after six months

Turnover of sanitary engineers, Econa increased from £2.19m. to £2.7m. in the half-year to September 30, 1976 and pre-tax profit was £0.33m. compared with £0.15m.

The net interim dividend is being stepped up from 0.7p to 1.5p per 10p share—the maximum permitted final is 0.5504p and should dividend controls allow, the directors forecast a payment at least equal to the interim. Last year's total was 1.864p and profits £0.49m., a record.

The rate of order intake was well maintained for the first half but currently shows signs of slowing down and in some areas margins are under pressure, say the directors. However, the group's increased productivity is being well maintained and looks set fair to ensure a comparable second half.

The effect of the Government's latest measures will make the earnings of similar year-end profits increasingly difficult but current plans are expected to ensure maintenance of a satisfactory overall profit level.

	Half year 1976 £	1975 £
Turnover	2,794,144	2,157,477
Int. loan capital	6,982	6,867
Pre-tax profit	331,454	148,456
Tax	172,356	77,196

● comment

After a strong comeback in the second-half of last year, Econa's interim profits have more than doubled pre-tax, with the main increase coming from internal measures which have hoisted margins in such key areas as service fittings and plumbing and heating. Current signs are that the first-half impetus is fading and, though the group gives no indication as to its dependence on housebuilding, the depression here must be having a detrimental effect, despite the fact that sales for renovations are still good. The group anticipates an unchanged second half for a full-year total of around £673,000 pre-tax, and is suggesting that with Treasury permission its prospective yield could be as high as 16.1 per cent., on a dividend covered 2.9 times. But this prospect is still open to considerable doubt and meanwhile the shares at 30p are taking nothing for granted on a probable yield of 11 per cent., and a p/e of 3.3.

Progress to £0.42m. for A.C.E.

AFTER being up from £163,000 to £222,000 at half-way, profit of A.C.E. Machinery (Holdings) increased from £311,899 to a record £418,894 for the year to September 30, 1976, before tax of £202,084, compared with £169,736.

The dividend is raised from 2.754p to 3.029p.

The company makes construction equipment.

● comment

ACE Machinery has maintained steady sales and profits expansion throughout the year at around 20 per cent. and 33 per cent. respectively. Demand for construction equipment in the U.K. has obviously been depressed—the company specialises in hoists—but ACE has managed to supplement flagging U.K. demand with growing exports, which have come up from a third to a half of turnover. The key to ACE's performance has been demand from the Middle East, which is fast expanding and probably accounts for a third of the £1.6m. of overseas sales. This expansion outside the U.K. is continuing through this year, but the Government's spending cutbacks in the U.K. could undermine an already tottering U.K. market. Still, ACE is sounding fairly confident on the strength of its overseas sales. The shares moved higher on the results and at 80p, where the p/e is 3.3 and yield is 6.1 per cent., ACE is evidently expected to continue on a steady growth path.

Optimism at James Crean

IN HIS annual statement, Mr. D. McCullough, the chairman of Dublin based James Crean, says he looks forward to another successful year. Trading so far has been satisfactory for the group and pre-tax profits are expected to increase.

As reported on November 26, turnover expanded from £7.34m. to £13.33m. in the year to June 30, 1976 and pre-tax profits advanced from £0.5m. to £0.88m.

Over the past three years the directors have followed a deliberate policy of minimising risk and maximising flexibility and this has been the dominating factor in all major strategic decisions, reports the chairman. Success in adhering to this policy was a major factor in the satisfactory performance and it is the firm intention of the directors to continue with this policy in their drive for continued expansion. Mr. McCullough is confident that the company will maintain its growth record without having to sacrifice the qualities of low-risk, flexibility and resilience which it has exhibited up to now.

The major development in the year was the acquisition of the U.K. based Wade Group in March, 1976. Wade's performance in the past nine months has exceeded expectations and the directors are very confident about its future. It has recently embarked upon a search for Irish manufactured products which can be sold through its distribution network in the U.K. and the directors are hopeful that a substantial volume of sales of such products will be achieved within two to three years.

A statement of source and application of funds shows an increase in working capital of £885,309 (£73,028).

Meeting, Dublin on February 14 at noon.

£1.6m. seen by Walter Alexander

A PRE-TAX profit increase of 67 per cent. to £0.81m. is disclosed by Walter Alexander for the six months to September 30, 1976—the figure for the previous full year was £1.25m.

Chairman Mr. W. Alexander reports that nearly all companies contributed to the improved halfway result. However, shareholders should not expect second half results to improve at the same rate, since last year's first half profits were unduly depressed by a temporary setback at Dominick Hunter Engineers.

Nevertheless, he expects profits for the second half to exceed those for the first six months, making overall profits for the year of at least 1.6m.

Stated earnings per share are up from 3.36p to 5.32p—the net interim dividend is 1.925p (1.75p) equivalent to 2.96p gross. The previous year's total was 5.8p gross.

Walter Alexander is a holding company with subsidiaries in coachbuilding, engineering, and fuel oil distribution and was the first company in Scotland to join the OTC market when dealings commenced in October, 1976. The shares are traded over the counter by investment bankers, M. J. H. Nightingale and Co.

Upsurge seen by Warren Plantations

THE DIRECTORS of Warren Plantation Holdings which was formed by a scheme of reorganisation in May 1976, say that trading for 1976 was very satisfactory and they are confident that pre-tax profits will show a substantial increase on the £1.91m. achieved by the former company Warren Tea Holdings for 1975.

A second interim of 3p net per 25p share is announced and as known a total of 7.5p is intended for the year. The first interim of 4.15p net was paid in lieu of the final for 1975 and made a total of 6.75p with the interim of 2.6p paid by WTH.

The company has acquired 26 per cent. of the share capital of British Livestock Company, the leading exporter of pedigree cattle from the United Kingdom.

The Board believes the association will be a further valuable extension of the company's agricultural and trading interests.

HESTAIR RESULT TO-DAY

HESTAIR will announce to-day the result of its fiercely contested take-over bid for Spear and Jackson. It is widely expected that acceptances of the offer, which closed yesterday, will be inconclusive and although Hestair cannot now increase its bid—following a ruling by the Take-Over Panel last week—chances are that the offer date will be further extended. The alternative would be for Hestair to accept defeat and allow its bid to lapse.

A low level of acceptances after yesterday's close need not necessarily mean that Hestair has failed with its three-for-two share exchange offer since the institutions, which invariably hold on until the last moment, are aware that Hestair can extend the offer to February 18.

But it is significant that Spear and Jackson shares fell 5p yesterday to 117p—7½p lower than the value of Hestair's bid, which closed 3p off on the day at 53p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
A.C.E. Machinery	3.03	Apr. 6	2.75	3.03	2.75
Alexanders Discount	9.33	Apr. 1	8.17	12.32	11.67
Bamfords	0.88	Mar. 11	0.8	0.88	0.8
Derby Trust	6.72§	Feb. 28	6.33	11.87	10.66
Dewhurst and Partner	0.56	Apr. 6	0.56	0.8	0.8
Econa ...int.	1.5	Feb. 31	0.7	—	1.86
I. D. & S. Rivlin ...int.	1.17	May 2	1.17	—	2.34‡
Warren Plants. ...2nd int.	3	Apr. 4	—	§	¶

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For 14 months. § Total of 7.5p net intended. ¶ First interim 4.15p net paid in lieu of final making with interim paid by Warren Tea Holding total of 6.75p net. || On £1 income shares.

Independent Newspapers market strength

THE CHAIRMAN of Dublin-based Independent Newspapers, Mr. R. T. Murphy, tells members in his annual statement for 1976 that he is confident that the group can surmount the problems and continue to be the foremost publishing company in Ireland. He warns that the newspaper industry is more sensitive than most to relatively minor fluctuations in consumer demand and consumer confidence.

The year ahead is as difficult to predict as ever, he says, and he bases his confidence on the strength of the group's publications in their market place.

Mr. Murphy says that the year has witnessed a substantial degree of profit recovery from the depressed levels of 1974 and 1975. Pre-tax profit advanced from £0.45m. to £1.36m. and dividends totalled 4.065p net per 25p share.

While this trend must be regarded as welcome in the circumstances of the Irish economy Mr. Murphy says that the underlying profitability of the company continues to be inadequate to meet the needs of the business at a time of high inflation. The percentage of net profits to sales has fallen from 4.92 to 4.23, he adds.

In a strongly-worded protest about the level of VAT on newspapers in Ireland, Mr. Murphy says that this is a significant threat to the survival of the industry.

In the year under review, the provincial newspapers made a full contribution to the improved trading results, members are told. This reflects improved revenue from sales and from advertising.

The balance sheet shows investments increased from £12,353 to £134,549. Mr. Murphy says that this increase represents an investment in a West German poster company, which he believes has exciting potential.

Depreciation rose during the year from £144,301 to £189,600. Mr. Murphy explains that this resulted from the accelerated writing down of certain obsolete plant, and goes on to say that the technological changes of recent years have significantly altered the future of the industry.

Meeting, Dublin, February 18.

Little change at halfway for Rivlin

IMPORTERS, WHOLESALERS and retail distributors of clothing and textiles, I. D. and S. Rivlin Holdings reports pre-tax profits slightly lower at £201,000 for the six months to October 31, 1976, compared with £210,000, on external turnover of £5.31m. against £4.73m.

Earnings are shown at 2.44p (2.55p) per 10p share and the interim dividend is held at 1.17p net. For the 14-month period to April 30, 1976 pre-tax profits came to £316,914 and the dividend total was 2.34p net.

The directors state that taking into account the level of forward orders, profits for the second half should be better than last year, providing there is no change in present trading conditions.

	Six months 1976 £	1975 £
Wholesale turnover	4,643,000	3,768,000
Retail turnover	2,308,000	2,136,000
Inter-company sales	1,641,000	1,112,000
External turnover	5,312,000	4,792,000
Profit before tax	201,000	210,000
Tax	98,500	107,000
Net profit	102,500	103,000
Minority interest	1,900	380
Attributable	100,600	102,620

Arising from the alteration in the year-end, the results for the first six months to October 31, 1976, have to be compared with the six months to August 31, 1975.

Difficult trading conditions adversely affecting textiles continued during the half-year. Pressure on margins, coupled with inflation of expenses, in particular bank interest, had the effect of restricting any improvement in the results, members are told.

Outlook at United Spring

IN HIS ANNUAL statement, Mr. David Westwood, chairman of UNITED SPRING AND STEEL GROUP says that all the present evidence indicates that the spring division is set fair for a satisfactory year.

The steel division, however, is finding difficulty in maintaining margins and there is little indication to suggest that this will change during the next few months, nevertheless should even a modest improvement in demand occur before the middle of the year, Mr. Westwood would be reasonably optimistic of a satisfactory final result.

As reported on December 15, turnover came to £19.02m. for the year to September 30, 1976 compared with £13.07m. and pre-tax profits more than doubled from £301,000 to £633,000.

Although 1976 saw a modest upturn in demand for steel, it did not achieve the momentum hoped for, and margins continued under pressure. However a reasonably buoyant motor industry enabled the spring division to exceed its anticipated result despite the inevitable loss of production incurred by the move of two of the spring manufacturing companies to new factories.

The charge of £353,000 for taxation will be more than offset by "Stock Relief" and only a nominal proportion of the charge will be payable within 12 months.

Three substantial rises in the price of raw materials, particularly steel, when associated with unsatisfactory margins, have been the major cause of a substantial increase in borrowings—shown at almost £2m. (£52,000). Since the end of the year these borrowings have been appreciably reduced, members are told.

Meeting, Smethwick on February 10, at noon.

Merchant Investors

Merchant Investors Assurance Company, a member of the Nationale-Nederlanden Group, has launched its version of a high allocation plan that will conform with the present tax qualifying rules for life policies. Called the Maximum Investment Plan, it aims at providing investors with a regular savings life contract on which tax relief can be claimed for the premiums, providing a high allocation of premiums for investment with complete flexibility as regards payment of premiums and receiving benefits.

The investor has freedom of choice over the investment period from 10 to 35 years if he is under 55, providing it ends before he reaches age 65, otherwise the term is 10 years. The amounts invested depend on the age at entry and the term of the policy varying from 90 per cent. to 102.5 per cent. Investment is made in any one of the five funds run by the company—equity, property, money market, deposit and managed. For investors paying premiums of at least £1,000 a year a terminal bonus of 3½ per cent. of accumulated units is paid at the end of the selected term.

The investor can take the benefits as tax-free capital or tax-free income over a period or a combination of both. There is also the option to continue the contract at the end of the period selected, either continuing the premiums or ceasing payment.

The minimum outlay is £260 a year or £28 per month.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1976/77 High	1976/77 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
—	F.P.	—	675	600	Rolinco Warrants	562	−15	—	—	—	—
—	F.P.	—	33¼	28¼	Ent. Technologies US$	£29⅝	−⅜	QS1.20	—	2.6	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1976/77 High	1976/77 Low	Stock	Closing Price £	+ or −
::	F.P.	18/2	£100	£97½	Adams Foods 1% Conv. Ln81-85	100	
£100	F.P.	—	100¼	100⅛	Agric. Mort. 13¾% Bds. 1978	100¼	
£100	F.P.	—	100¼	100⅛	Agric. Mort. 14¼% Bds. 1979	100¼	
£100	F.P.	—	100⅝	100⅛	Agric. Mort. 14¾% Bds. 1980	100⅝	
£21	F.P.	19/1	126	101½	Dunlop & Elliot 10% Conv. Red. pref.	125	−5
£99	F.P.	28/1	99½	99½	Essex Water 9% Red. Pref. 1986	99½	
£100	£10	1/4	14¼	13½	Mid Kent Water 9% Red. Pref. 1982	14¼	
::	F.P.	1/12	77	70	Newman Inds. 10% Cum. Pref.	77	
£94	F.P.	7/1	98	94¼	Tendring Hundred W'works 9% Red Pf.1981	98	
—	F.P.	7/1	76	71	Willis Faber 7% Cum. Pref.	76	

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date		1976/77 High	1976/77 Low	Stock	Closing Prices p	+ or −
60	F.P.	—	—	60½	46	Aberdeen (city of) Land Assoc.	47	
54	F.P.	10/12	28/1	95	68	Assoc. Engineering	95	
$A4	$A2	—	3/12	470	437	Broken Hill Props.	455	−10
100	F.P.	12/8	9/2	140	126	Eibar Ind'l	126	
$A1.75	F.P.	6/12	17/12	240	[illegible]	National Bank of Australasia	213	−5
10p	nil	—	—	7	6¾	Websters Publications	7 pm	
[illegible]	F.P.	[illegible]	—	19	17	[illegible]	127	

Renunciation date usually last day for dealing free of stamp duty. a Placing price to public. b Figures based on prospectus estimate. d Dividend rate paid or payable on part capital, cover based on dividend on full capital. p*** Pence unless otherwise indicated. u Forecast dividend: cover based on previous year's earnings. M Figures based on prospectus or other official estimate for 1976. Q Gross. T Figures assumed. ; Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividends. ** Issued by tender. ✽ Offered to holders of Ordinary shares as a "rights." ♥ 200 S.Afr cents. ‡ Rights by way of capitalisation. †† Tender allotment price. ◆ Reintroduced. ‡‡ Issued in connection with reorganisation, merger or take-over. ✤ Introduction. ◆ Issued to former Preference holders. ‡ Allotment letters (or fully-paid). † Provisional or partly-paid allotment letters. $ With warrants. ⊕ After suspension. KD Kuwait Dinar.

Cause for optimism at Liner Concrete

RESULTS TO date of The Liner Concrete Machinery Company are encouraging, Mr. Peter S. Field, the chairman, reports in his annual statement.

The level of orders for the company, which makes contractors' plant and construction equipment, is considerably higher than at this time last year, Mr. Field adds. The factories are working to almost full capacity.

The demand for new products is increasing and the newly constructed production facilities are due to contribute additional volume during the second part of the year, he continues.

There is thus sufficient evidence to be optimistic about the company's prospects for 1976-77, tempered as they must be by the Government's further cuts affecting the construction industry, the chairman tells members.

Mr. Field remarks that Liner must do more than survive in the home market and become even more competitive overseas.

As reported on December 10, pre-tax profit improved by 15 per cent. from £610,916 to a record £701,732 in the 53 weeks to September 4, 1976. Net dividend total was raised from 0.6485p to 1.17p per 10p share.

Exports totalled £3.02m. (£4.08m.). A geographical analysis of exports shows (£000s omitted): Africa 623 (801), America 132 (83), Australasia 69 (236), Europe 274 (235), Middle East and Asia 1,922 (2,724).

Mr. Field says that for most of the first half home demand lacked the hoped for signs of real improvement, but the outlook brightened for a short period at the beginning of the second half.

It later proved to be a false horizon, and disappointingly confirmed that the construction industry was still suffering the hangover symptoms of financial constraints, inflation and the reducing content of activity within the public sector.

Had it not been for the delays associated with finance clearance and shipping availability, a large consignment of finished machines at the year end would have contributed to turnover instead of accounting for a high work-in progress figure, Mr. Field observes.

The Liner-Croker loss was cut from £104,457 to £27,857, and the subsidiary has been restructured. The Cheltenham plant was operating on a profitable basis well before the end of the year, members are told.

Ferguson Industrial Holdings held 29.905 per cent. of the capital at December 25, 1976.

BUILDING SOCIETIES

Leicester sees more favourable outlook

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

ANOTHER building society says it expects the outlook for mortgages to improve in the coming months.

Mr. Basil Ekhard, general manager of the Leicester Building Society and chairman of the Midlands Association of Building Societies, says there are hopeful signs of an upturn in investment intake which should make more mortgage funds available for home buyers.

Last week, the Nationwide said it believed that the outlook was quite encouraging and expected mortgage lending to rise again after a few difficult months. Net receipts for the movement this month are expected to be around £100m. after two poor months at the end of 1976. During November and December, societies only managed to take in a combined total of £50m.

Mr. Eckhard emphasised that an expanding home loans programme did depend on a continuing downturn in interest rates generally. He reported that, despite the record cost of mortgages, demand for home loans remained very strong and the Leicester had been managing to maintain a relatively stable lending programme despite the fluctuations in investment inflow during 1976.

Last year, the Leicester—Britain's seventh largest building society—granted home loans totalling £195.5m., an increase of over 15 per cent. on the previous twelve months. At the end of 1976, the society's assets stood at £902m., an advance of £108m. over the previous year. The number of home buyers helped by the Leicester rose from 26,184 in 1975 to 27,917.

16.62% asset growth at Cheshire Bldg.

The Cheshire Building Society is well placed to meet mortgage demands, thanks to a strong liquidity position following record results in 1976.

Assets rose by 16.62 per cent. to £64.4m. by the year end. Since 1969 assets have more than trebled.

Almost 2,000 mortgage advances were made, totalling £14.2m. (£12.4m.), with 30 per cent. going to first-time borrowers and 20 per cent. on pre-1920 property.

During the year 12,000 new share and deposit accounts were opened—a 20 per cent. increase—bringing the total to 55,538. Share receipts were £27m. and withdrawals £22m., leaving the surplus at £5m.

Allied Breweries sees further improvement

THE YEAR to September 25, 1976 at Allied Breweries finished on an encouraging note, states Mr. Keith Showering the chairman, and he is confident of further growth and improvement in the current year.

On January 18, the group announced a big increase in the capital expenditure programme. Against £52m. authorised at September, 1975, £117m. was authorised at the end of September 1976. There are also plans which will require another £47m., to bring the total to £164m.

This will be spent on increasing capacity in the breweries, and particularly on lager production; on packaging plant in breweries and factories; on new depots, vehicles, casks and other equipment; and with substantial expenditure on building new pubs and improving existing ones. Apart from the beneficial effect on employment, this programme will provide further employment prospects for the supplying companies involved.

As reported on January 7, turnover expanded from £787m. to £885.3m. in 1975-76 and pre-tax profits were £63m. against £60.2m. All three divisions contributed increased profits in spite of industrial relations problems in the beer division, and the generally unfavourable trading conditions which prevailed for most of the year in respect of wines and spirits.

A prolonged inter-union dispute severely disrupted output from the Birmingham brewery and resulted in a loss of profits of some £6m. The effects were apparent in the interim figures published after 32 weeks of trading, and at that time it seemed unlikely that the loss could be recovered in the remaining 20 weeks.

Cash flow after dividends and tax amounted to £54m. which together with £7m. from disposal of properties and other assets made £61m. available for group purposes.

Despite further excise duty increases in April there was almost no increase in the amount of working capital in use at the year end. Redemption of loan capital exceeded new borrowing by £4m. Capital expenditure on fixed assets during the year was £38m. compared with £22m. last year and £40m. in 1974.

Overall liquidity improved during the year by £14m. to a net overdrawn position of £4m. Apart from overdraft accommodation which is used to cover trading peaks, arrangements for short to medium term loans which had not been drawn at the end of the year amounted to £69m., including a new seven-year sterling facility of £35m. provided by a strong consortium of banks, sufficient for foreseeable requirements.

In the beer and hotels division sales at the beginning of the financial year suffered appreciably from the effects of the inter-union dispute in Birmingham, and in the new year trade generally, in common with the rest of the industry, was markedly lower than the previous year. The expectation at that time was that this trend would persist, but sales increased substantially during the summer and by the year end the division had increased its overall profit for the year.

Hotels continued to be affected by lower levels of consumer spending, offset to a considerable extent by the success of the Hushaway and Leisure Learning Schemes designed to attract week-end business.

The first phase of the new malting plant development at Mistley in Essex is now well advanced and should be in production by March-April 1977.

In spite of difficult trading conditions in the U.K. wine and spirit market, the SVPW division achieved a significant increase over last year's profits. Most brand leader products increased their market share still further and export earnings exceeded all previous records.

In common with the two U.K. divisions, the international division achieved increased profits, helped by the fine summer on the Continent and in spite of severe price controls in Holland and Belgium.

The chairman's shareholding has been reduced from 2,494,856 to 1,536,378 mainly as a result of the coming of age of one of his children.

Feature, Page 20

CARTNER GROUP

Purely to assist efficiency, the two manufacturing activities of Cartner Group will be carried out by the wholly-owned subsidiaries, Cartner Engineering and Rotasign Limited.

Whereas, in the past, purchases have been made on behalf of both activities under Cartner Group, each company will now control its own purchases.

Confidence at Avon Rubber

WITH THE level of orders throughout the group currently healthy, Avon Rubber Company had every reason to hope to increase its rate of capital investment from its own resources and also to improve the level of dividends, chairman Mr. Hugh Rogers told the annual meeting.

The most significant aspect of the group's immediate future programme would be the redevelopment starting this year of part of the Melksham site for the expansion of its industrial products company. This would increase the capacity for manufacturing technically advanced components enabling it to meet the growing demand from international markets, the chairman stated.

Mr. Rogers told members that the considerably strengthened cash position last year had been maintained and the directors did not anticipate any additional bank borrowing during the current year.

A major contribution to that arose from the more effective use of money. In 1974 the group used £30m. to generate £64m. of turnover. In 1976 it used £32m. to generate £88m. of turnover.

The growth of sales to overseas markets had contributed towards increased profitability, as had the progressive improvements made in the efficiency of U.K. operations. Those factors had enabled Avon to trade at a satisfactory profit during the first quarter of this year.

CONTINENTAL UNION TRUST

Continental Union Trust Company has arranged with the Manufacturers Hanover Trust Company to renew the loan facility of DM12,500,000 on a multicurrency basis, for a further period of five years.

£0.69m. fall at Alexanders

AFTER PROVIDING for rebate and tax, and making a transfer to contingency reserve, profit of Alexanders Discount Company dropped sharply from £0.95m. to £0.26m. during 1976. Profit carried forward will be £0.61m. (£0.88m.).

The directors explain that they have decided to apply a proportion of the year's profit to further strengthen the inner reserves and to draw on the carry forward, which has been built up in more profitable years, for the balance of the dividend.

A final dividend of 9.329p raises the net total from 11.666p to 12.829p taking £0.66m. (£0.57m.).

In a year of extreme uncertainty, in which Minimum Lending Rate rose from 9 per cent. to a record 15 per cent., a cautious policy was followed from which only a comparatively low level of profit resulted, the directors state.

At year end the total of assets was about £368m. (£469m.) of which £3.5m. (£3m.) were British Government Bonds. Since then the improvement in the market has provided an encouraging start to the company's operations, they add.

● comment

The drop of more than 70 per cent. in disclosed net profits for Alexanders is disappointing in the light of Union's much more modest decline of 40 per cent. or so reported last week. But the difference in performance seems to have related mostly to the first quarter, when Union profited rather more prolifically than Alexanders from the short-lived period of falling interest rates. From April onwards conditions were unrelievedly difficult, with overnight money short and expensive even when interest rates generally were not rising: it does not look as though either Alexanders or Union has done much more than break even over the last nine months. The December move into gilts, however, will have paid off handsomely in the early weeks of the current year, and the outlook is promising. The stock market has already looked well beyond these results, with the shares over 80 per cent. above the 1975 low: at 230p the yield is 8.9 per cent.

Statement, Page 22

GEORGE DEW

To carry out civil engineering projects in Dubai and elsewhere in the United Arab Emirates, George Dew International has formed a subsidiary in Dubai.

The new company is called George Dew International (Dubai) Private and has an authorised capital of Dirhams 1m. The company follows on the pioneering work of foundation piling carried out during the last six months by the parent company's Gulf Piling division.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Cowan de Groot, Hales Properties, Hambro Trust, Henderson-Kenton, M.L. Holdings, Scottish English and European Textiles.

Finals—Abbey Panels, Ashdown Investment Trust, Capital and County Laundries, Lincroft Kilgour.

FUTURE DATES

Interims—	
Diamond Stylus	Jan. 27
Dowty	Feb. 8
Guinness Peat	Jan. 26
Kuala Kellas Rubber Estates	Feb. 3
Finals—	
Allied Textile	*Jan. 27
Blundell Permoglaze	Jan. 26
Howard Machinery	Jan. 27
Mercantile Investment Trust	Mar. 15
Romney Trust	*Feb. 15

* Amended.

Derby Trust pays 11.87p

REVENUE FOR Derby Trust expanded from £0.42m. to £0.49m. in 1976 subject to tax of £0.18m., compared with £0.15m.

Per £1 income shares, the final dividend is 6.721p making a total of 11.87p, against 10.655p.

Assets per share attributable to 50p capital shares are 240.75p (205.75p), including the full dollar premium.

In July the directors reported first half available income up from £0.11m. to £0.13m. and said that while year-end income would exceed the previous year's total, it should not be anticipated that the increase would be of this magnitude. In the event the available figure was £0.3m. (£0.27m.).

APPOINTMENTS

LEGAL NOTICES

No. 00154 of 1977.
In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of THE HOUSE OF GOOD SCOTCH LIMITED and in the Matter of the Companies Act 1948.
NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 17th day of January 1977 presented to the said Court by [illegible]

PUBLIC NOTICES

SIERRA LEONE DEVELOPMENT COMPANY LIMITED (in liquidation)
NOTICE IS HEREBY GIVEN [illegible]

SIERRA LEONE DEVELOPMENT COMPANY LIMITED (in liquidation)
NOTICE IS HEREBY GIVEN [illegible]

COMPANY NOTICES

HAMBRO INTERNATIONAL BOND FUND
NOTICE OF DISTRIBUTION [illegible]

MAKITA ELECTRIC WORKS, LIMITED (CDRS)
The Board of Directors of Makita Electric Works, Ltd. has announced [illegible]
AMSTERDAM DEPOSITORY COMPANY N.V.

GRANGES AB
THE GRANGESBERG COMPANY [illegible]

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED
(Incorporated in the Republic of South Africa)
DIVIDEND No. 83
ON SHARE WARRANTS TO BEARER [illegible]
BARNATO BROTHERS LIMITED, London Secretaries
D. W. J. PHILLIPS, Secretary.
99, Bishopsgate, LONDON EC2M 3XE.
24th January, 1977.

PLANT AND MACHINERY

FORK LIFT TRUCKS WANTED. [illegible]

BIDS AND DEALS

Racal's rival raises offer for Milgo

BY STEWART FLEMING

NEW YORK, Jan. 24.

Sears buys from Hertz

A. J. MILLS SHARE SPECULATION

ACQUISITION BY P & O ASIA

DAVY INTL.-HEAD WRIGHTSON

DOLAN PACKAGING

MINING NEWS

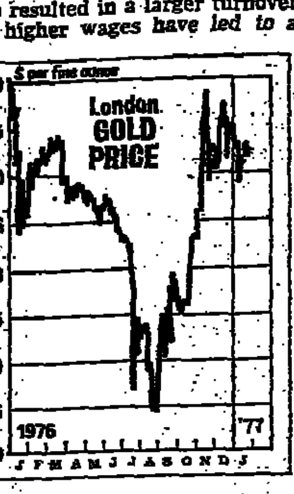
Mary Kathleen runs into $A12m. loss

BY KENNETH MARSTON, MINING EDITOR

MINING BRIEFS

S. ROODEPOORT

Gold output fall halted



Elandsrand issue terms

ROUND-UP

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Du Pont sales and profits on the rise

BY JOHN WICKS ZURICH, Jan. 24.

THERE SHOULD be a gradual improvement in the business of the Du Pont chemical concern this year, with world sales approaching the $10bn. mark and earnings up on 1976 levels. This was stated here to-day by Edward R. Kane, president of the parent undertaking E. I. Du Pont de Nemours and Co., of Wilmington, Delaware.

Within the coming few years, Kane said, there should be a return to the profitability enjoyed in the 1960s, with net returns of at least 8 per cent. on gross assets and at least 20 per cent. on total equity.

Du Pont, whose detailed 1976 figures will be released after the New York market closes tonight, had worldwide turnover exceeding $8bn. last year. Earnings were up substantially from the depressed 1975 level at the second highest sum in the company's history but did not match 1973 records and their total was due partially to inflation. The 1976 results were "still not satisfactory," said Kane, even although Du Pont earned a net return of almost 4 per cent. on gross assets employed and 12 per cent. on stockholders' equity.

Problems

Problems last year were rooted in the group's worldwide textile-fibre business, particularly in the clothing sector. While sales of man-made fibres accounted for about one-third of 1976 turnover, these products contributed only about 7 per cent. of earnings. With unsatisfactory price levels, most all of Du Pont's textile fibre operations ran well below capacity and losses were experienced in the third and fourth quarter. The company now expects some improvement in fibres sales and earnings this year but "it may be the early 1980s" before corporate earnings targets are reached.

Chemicals, plastics and special products developed very well in 1976, on the other hand, with volumes up considerably and price development at least in line with cost increases.

For the coming three years, overall capital expenditures are put at between $2.5bn. and $3bn. Investments will place more emphasis than hitherto on improvement of existing facilities—currently running at about 80 per cent. of capacity—and reduction of manufacturing and related costs. The major share of capital spending will be in the United States.

Last year, foreign sales of the group amounted to over $2.2bn. and earnings from outside the U.S. were about two and a half times those for 1975, though "still somewhat depressed." About one half of foreign sales were in Europe, 20 per cent. each in Canada and Latin America and 10 per cent. on Far Eastern markets.

European sales rose by 18 per cent. last year to pass the $1bn. mark for the first time. European earnings also improved but Kane said they were still far from satisfactory and well below pre-recession levels. Fibre operations in Europe lost money in both 1975 and 1976.

The current year, he added, should be a reasonably good one for Du Pont in Europe as a whole. Sales should grow by some 12 to 15 per cent. and there ought to be an even greater growth rate in earnings.

Stewart Fleming reports from New York: A fourth-quarter loss on its important fibres operations has hit the Du Pont earnings. In the quarter the company's net profit has slumped from $141m. ($1.87) to $93m. ($2.87). Sales revenue rose, but from $1.955bn. to only $2.055bn.

For the year as a whole net earnings were $439m. ($9.30 a share) compared with $272m. ($5.43 a share). Sales revenues for the year were up from $7.2bn. to $8.4bn.

Share analysts had been warned by Du Pont to expect earnings of under $2 a share in the fourth quarter. The annual earnings figures were much in line with the lower forecasts that share analysts have been making for the company since November.

Mr. Irving S. Shapiro, Du Pont chairman, said that the company's chemicals, plastics and specialities business had performed extremely well and claimed that the increase in sales revenues was due to a 10 per cent. increase in sales volume and a 5 per cent. gain in selling prices.

The poor performance of its fibres division has been a heavy drag on Du Pont throughout the year and it has produced well under 10 per cent. of profits in the year even though it accounts for one-third of sales.

One result is that profits are still below the $12.04 a share earned in 1973. Analysts have been anticipating a recovery in fibres profits in 1977. But Mr. Shapiro was cautious in his remarks on this front, merely predicting some improvement but not making any specific forecast.

Volvo report shows sharp final quarter earnings drop

BY WILLIAM DULLFORCE STOCKHOLM, Jan. 24

VOLVO, the Swedish car and truck manufacturing group, has announced an 11.6 per cent. rise in pre-tax earnings in a preliminary report for 1976. Unaudited sales figures show a 15 per cent. increase in group turnover to Kr.15.7bn. (£2.17bn.) with the pre-tax profit coming out at Kr.580m. (£80m.) compared with Kr.501m. for 1975. The parent company contributed Kr.530m. of these earnings against Kr.346m. in the previous year.

Adjusted earnings per share are given at Kr.15.40 which compare with Kr.15 last year, Kr.25.10 in 1974 and Kr.34.20 in 1973. The pre-tax profit is equivalent to 3.7 per cent. of turnover or exactly the same as in 1975.

The company warns that the 1976 account has not been closed and the final figures may diverge from those of the preliminary report.

The preliminary profits figure conceals a sharp drop in earnings in the last quarter to roughly Kr.90m. This compares with Kr.144m. for the third quarter, over Kr180m. in the second quarter and a first quarter earnings estimate of Kr.162m. At the three-quarter stage Volvo was showing an improvement in earnings of Kr.142m. compared with 1975.

The profit plunge underlines the management's decision announced in December to cut back passenger car production by 15-20,000 during the first half of this year. Attempts to organise this reduction have already run into trouble with the unions and a dispute over pay levels during an extended winter sports holiday is being taken to the labour court.

Volvo reports that the workforce fell by about 800 over the year. Capital investments were roughly Kr.700m., a drop of over Kr.300m. compared with 1975. The group cash position continues to be sound, with liquid assets totalling some Kr 1.8bn. at the end of the year, an increase of Kr.200m. from 1975.

The parent company shows a 7 per cent. increase in sales to Kr.8.9bn., of which 67 per cent. came from export receipts compared with 71 per cent. in 1975. Payroll costs rose by 13 per cent. despite a fall of 1,600 in the workforce to around 31,800 by year's end.

After net earnings of around Kr.120m., the Board proposes to maintain the shareholders' dividend at Kr 6 per share. Final figures for 1976 will be announced on March 21.

Campbell drops Gringoire

By David Curry PARIS, Jan. 24.

CAMPBELL SOUP of America has decided not after all to take control of the French biscuit maker Gringoire-Brossard because it is unable to guarantee the employment of all the 1,100 strong workforce of the French company.

It had been intending to rationalise production at its own biscuit company Delacre and at the new acquisition (from the American Pillsbury Mills group).

The clause demanding maintenance of employment was a condition for the approval of French authorities for the takeover.

Gringoire-Brossard will now have to look to a French solution for its future; C. N. Industries and Coraliment-Lu Brun are the front runners.

Money rates soar in UAE bear squeeze

BY KATHLEEN BISHTAWI DUBAI, Jan. 24.

CALL MONEY rates soared to 250 per cent. from the opening 100 per cent. in the first two hours of trading here this morning as money markets reacted to the UAE central bank's action late last week to curb speculation against the dirham.

Bankers reported an acute shortage of dirhams with foreign exchange dealers inundated at their homes by calls from institutions caught short. "They are begging for dirhams at any price," one dealer commented. "It's an incredible situation—I just don't know what will happen."

The crisis began on Tuesday when the central bank—the Currency Board—announced it was raising to 50 per cent. its interest charge on banks' overdrawn balances. Then on Thursday when the dirham fell on foreign exchanges close to its official intervention rate, the Board sold dollars to remove almost 500m dirhams from the market and raised the interest charge on the overdrawn balances to 1 per cent a day for the next week.

This action provoked angry protests from Abu Dhabi to Bahrain from banks, many of whom had been running very short positions and some of whom appeared to be having great difficulty squaring their positions. Other, more conservative, banks which retained dirhams are now making large profits.

A UAE Currency Board official commenting on the furore said: "Many people have misunderstood what we have done. The situation is nonsense. Our only desire was to strengthen the dirham. And that we have achieved. To-day its rate to the dollar stands at 3.905 compared with last week's 4.03."

The central bank expects the situation to ease by the end of this week as natural market forces restore the supply of dirhams. There seems little indication that the Board itself will step in. "We are going to leave this to the banks to sort out," an official said, but added that the Board to-day sold a large amount of dirhams for dollars in Bahrain.

Many of Bahrain's Offshore Banking Units (OBU's) have interpreted the moves as signals from Abu Dhabi that it does not want the OBU's to continue dealing against the dirham. Certainly, since the dirham shortage, in Bahrain several banks, including some of the top international names, have had their fingers burnt over the Currency Board's moves. This applies particularly to more recent arrivals — those more experienced on the island have made small fortunes.

A banker in Dubai said all the calls he received from banks seeking dirhams were from the top names in banking, not the smaller UAE banks and many of the calls had come direct from Bahrain. "The Currency Board would not undertake such shock tactics if it was certain it would in any way affect the future of the smaller banks in the country—many of which have been set up by prominent nationals," he said.

The Currency Board admits it was becoming wary of the dirham trading by OBU's in Bahrain, and would like to see a smaller market there.

U.S. COMPANIES

American Airlines record earnings

NEW YORK, Jan. 24

IN A PRELIMINARY report, American Airlines Inc. said that it had achieved record airline net earnings of about $60m. for 1976 but after giving effect to an adjustment related to the Americana of San Juan Hotel the company's net earnings were about $56m. compared with a net loss of 1975 of about $22.4m.

American said 1976 revenue was just over $2bn., a record and an increase of 17.4 per cent. over the previous year.
AP-DJ

BankAmerica results

BANKAMERICA Corporation fourth quarter operating earnings per share were 65 cents (60 cents). Operating net income was $83.6m. ($82.8m.). Figures after securities transactions were 65 cents (60 cents) and $94.3m. ($83.2m.).

Full year figures were: $2.40 ($2.18); $335.9m. ($301.7m.); $2.41 ($2.19); and $336m. ($302.8m.) respectively.

Monsanto setback

MONSANTO, the fourth largest U.S. chemical company, has suffered a setback in the fourth quarter, writes Stewart Fleming from New York. The company attributed the decline to the sluggish economic growth in the economy, which it said resulted in inventory adjustments by its customers, and to the severe winter weather. The company said that while the quarterly and annual figures for 1976 set new records, earnings in the final quarter were below estimates made in early December.

For the final quarter, earnings were $47.7m. ($1.27 a share) compared with $78.7m. ($2.20 a share). The figures were well below the level anticipated by some Wall Street analysts.

For the year earnings were $366.4m ($10.05 a share) compared with $306.3m. ($8.63 a share). Sales revenues for the year are $4.27bn. compared with $3.62bn. in 1975.

Amex improves

AMERICAN EXPRESS fourth quarter earnings per share were 77c (54c). Net income was $55.5m. ($38.8m.) from revenue of $785.6m ($667.6m.).

Full year net was $194.5m. or $2.70 per share ($165.8m or $2.29) from revenue of $2.95bn. ($2.49bn.).

Singer earnings

SINGER CO. fourth quarter net operating income from continuing operations was $20.5m. (loss $52.6m.) The fourth quarter 1976 net from continuing operations is equal to $1.11 per share and is before a loss from discontinued operations of $2.4m. and a loss of $52.?m on disposal of discontinued operations and a credit of $56m. representing the reduction of provisions for discontinued operations, reports AP-DJ.

American Motors up

AMERICAN MOTORS Corporation said fiscal 1977 first quarter profits represented a substantial improvement from the losses reported in the fourth quarter of 1976.

The company said the $1.2m profit recorded in the first quarter against a $51.1m loss in the final quarter of 1976 resulted from a continuation of cost reduction actions to lower the automotive break-even point, Reuter reports from Detroit.

Arco ahead

ATLANTIC RICHFIELD fourth quarter earnings were $1.09 ($1.00) per share, Reuter reports from New York.

BANK LEUMI

Owing to an error in transmission, our item yesterday entitled "Capital Increase sought by Bank Leumi," incorrectly stated that the bank intended to increase its share capital from £1,750m at present to £12bn. by the issue of 1,250m new shares of £11 each. All in Israeli pounds, these figures should have read £I 1,750m., £I 2bn. and £I 1 each respectively.

EUROBONDS

IBJ bond arouses interest

BY TONY HAWKINS

STRONG investment interest is being reported for the Industrial Bank of Japan floating rate note issue currently on offer in the Eurobond market. IBJ is raising $40m. over five years on a minimum coupon of 6 per cent. Interest will be ¼ per cent. above Libor (six-month London Interbank offered rate) with Morgan Stanley International as lead manager.

It is significant that this issue appears to be so popular in the light of the relatively cool reception given to some other recent floating rate note issues. The Banco do Brasil floater, priced at par last week, has been trading at 97¾-98¼, while the French SNCF floater was traded yesterday at 98¼-98¾, also after being priced at par.

Indeed, all the indications are that this Japanese floater is proving more attractive than the much larger $80m. Credit Lyonnais floating rate issue, also carrying a minimum 6 per cent. coupon.

In the Deutschemark sector, the City of Bergen is raising DM50m. with the issue of 12-year bonds (average life of eight years) on a 7¼ per cent. coupon. Berliner Handels-Und Frankfurter Bank is lead manager and the bonds will be priced later this week close to par.

Light-Servicos de Electricidade of Brazil is raising Dm100m. with a five-year issue on an 8¼ per cent. coupon. The lead manager is Westdeutsche Landesbank and the issue, which is under Brazilian Government guarantee, is expected to be priced at a discount.

Reflecting the change in market conditions that has taken place in the past fortnight, the Macmillan Bloedel $50m. 15-year bond issue (average life of 11.96 years) was priced yesterday at par, but with the coupon being increased to 9 per cent. from the 8¾ per cent. originally indicated. The decision to increase the coupon comes after a prolonged period during which issuing houses have been able to reduce coupons and, as such, the development could mark a significant change of gear in the market.

Also priced yesterday was the Banque Canadienne Nationale $C30m. five-year issue. The coupon remains at 8¼ per cent., as indicated with the bonds priced at 99½. The issue is understood to have been well oversubscribed.

	Monday	Friday
Medium	102.58	102.58
Long	94.70	94.70
Convertible	110.01	110.01

Societe Generale dividend cut

BY DAVID BUCHAN BRUSSELS, Jan. 24

SOCIETE GENERALE de Belgique has announced a lower dividend on its 1976 profits, B.Frs.135 net as against B.Frs.175 net the year before. Profits on the portfolio investments of Belgium's biggest holding company had been predictably hit by Government legislation freezing dividends from April to December last year. For 1976 they dropped to B.Frs.922m. (about £15m.) as against B.Frs.1.4bn. the year before.

The value of the group's portfolio has also dropped from B.Frs.8.3bn. above book value in 1975 to B.Frs.5.75bn. in 1976, reflecting obviously the general fall in share prices in Brussels and elsewhere.

The group's directors to-day expressed the hope that 1976 would mark the bottom of the recession affecting the group's fortunes. The Government's anti-inflation legislation has now been changed to allow companies to increase dividends by 8.5 per cent from the start of this year. As the Generale's Governor, M. P. E. Cornsau told shareholders last November, the group had been hard hit by the 1976 legislation. "With the very diversified portfolio that we have, these provisions prevented us from compensating to some extent the diminished revenues of some companies with increased dividends of certain, more prosperous holdings," he then said.

Though analysis of the performance of those sectors in which the Generale has holdings will have to await detailed results, the 10 per cent. of its portfolio that is in the depressed steel industry can hardly have been profitable.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan 9½pc 1986	104½	105
Australia 8¾pc 1991	101	101½
Bowater 9½pc 1986	102	102½
Can. Natl. Rly 8¾pc 1986	101	101½
Credit National 8¾pc 1986	98½	99½
Denmark 8¾pc 1984	99½	100
ECS 9½pc 1986	102½	103½
EIB 8¾pc 1986	100½	101
Erap 9½pc 1985	103	103½
Esso 8pc 1986 Nov.	102½	103½
Eurofima 8¾pc 1983	103½	104
Granges 9½pc 1985	101½	102
Hamersley 9½pc 1992	100½	101½
ICI 8¾pc 1987	97½	98½
ISE Canada 9½pc 1986	103½	104½
Massey Ferguson 9½pc 1991	103½	104½
Michelin 9½pc 1985	101½	102½
Midland Int. Fin. 8¾pc 1986	99	99½
Mobil Int. Fin. 6¾pc 1984	99½	99
Modo 9pc 1986	99½	100
Nat. Westminster 9pc 1986	101½	102½
Newfoundland 9½pc 1986	100½	101½
Norpipe 9½pc 1986	101	102½
Norsk Hydro 9½pc 1991	102½	103½
Oslo 9pc 1988	102½	103½
Ports Autonomes 9pc 1991	99½	100
Prov. Quebec 9pc 1984	101	101½
Quebec Hydro 9½pc 1986	99½	100
Prov. Saskchwn. 8¾pc '86	102	102½
Skandn. Enskilda 9pc '91	101½	102½
SKF 8pc 1987	99½	100½
Volvo 9½pc 1985	102½	103
NOTES		
Australia 8½pc 1983	102½	103
Australia 8½pc 1986	101½	102½
Dow Chemical 8pc 1986	102½	103
EEC 8½pc 1982	100½	101½
Gotaverken 8pc 1982	101	101½
Kockums 8pc 1983	99½	100
Michelin 8½pc 1983	102½	103
Mobil Int. Fin. Cpn. 8½pc '84	98½	99
Montreal Urban 8½pc 1981	100½	101½
Nat. Coal Board 8½pc 1981	101½	102
New Brnswk. Prv. 8½pc '83	103	103½
New Zealand 8½pc 1986	100½	101
Nippon Fudosan 9pc 1981	100½	101½
Sth. Scotland Elec. 8½pc '81	96½	98½
FLOATING RATE NOTES		
BCO Brasil 6¾pc Min. 1982	97½	98½
BNP 5½pc Min. 1983	98	98½
BNP 7pc Min. 1983	100½	101
Lloyds 7½pc Min. 1983	100½	101½
LTCB Japan 6½pc Min. '81	99½	100½
Midland 7½pc Min. 1983	101½	102
D. MARK BONDS		
Austria 7pc 1987	98½	99½
Beecham 8pc 1983	102	103
Copenhagen City 7½pc 1986	97½	98½
EIB 6½pc 1984	98½	99
ICI 7½pc 1986	98½	99½
Intr.Amer. Dv. Bk. 7pc '87	96½	97½
New Zealand 7½pc 1986	103½	104
World Bank 7pc 1987	97½	98½

Source: White Weld Securities, London

CONVERTIBLES	Bid	Offer
American Express 4½pc '87	83	85
Ashland 5pc 1988	95½	97½
Beatrice Foods 4½pc 1992	116½	118½
Beatrice Foods 4½pc 1992	116½	119½
Borden 5pc 1992	107	109
Broadway Hale 4½pc 1987	81	83
Canon Camera 7½pc 1989	215	—
Carnation 4pc 1987	88½	90½
Chevron 5pc 1988	127½	129½
Dart 4½pc 1987	86½	88½
Eastman Kodak 4½pc 1988	102	104
Economic Labs. 4½pc 1987	79	81
Fed. Dept. Stores 4½pc '85	105½	110
Firestone 5pc 1988	87½	89½
Ford 6pc 1986	101½	103½
Ford 5pc 1988	93	95
Gen. Electric 4½pc 1987	87	89
Gillette 4½pc 1987	79	81
Gould 5pc 1987	114½	116½
Gulf & Western 5pc 1988	94	96
Harris 5pc 1992	107	109
Honeywell 6pc 1986	87½	89½
ITT 4½pc 1987	84½	86½
Komatsu 7½pc 1990	103½	105½
J. Ray McDermott 4½pc '87	127½	130½
Mitsubishi Elec. 7½pc 1991	107½	109½
Mitsui 7½pc 1990	108½	110½
J. P. Morgan 4½pc 1987	107	109
Nabisco 5½pc 1988	101½	103½
Owens Illinois 4½pc 1987	113	115
J. C. Penney 4½pc 1987	83½	85½
Pioneer 6½pc 1989	256	—
Raymond 8½pc 1989	116½	118½
Revlon 4½pc 1987	105	107
Reynolds Metals 5pc 1988	93	95
Sperry Rand 4½pc 1987	92½	94½
Squibb 4½pc 1987	83	85
Texaco 4½pc 1988	83	85
Toshiba 6½pc 1990	107½	109½
Union Carbide 4½pc 1982	104½	106½
Warner Lambert 4½pc 1987	88	90
Warner Lambert 4½pc 1988	78½	81½
Xerox 5pc 1988	80½	82½

Source: Kidder Peabody Securities

INTERNATIONAL FINANCIAL AND COMPANY NEWS

FREE STATE DEVELOPMENT AND INVESTMENT CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

UNAUDITED RESULTS OF THE COMPANY FOR THE HALF-YEAR ENDED 31st DECEMBER, 1976

	6 months ended December 1976 R000's	6 months ended December 1975 R000's	Year ended June 1976 R000's
Net revenue excluding profit or loss on realisation of investments	309	264	392
Profit/(Loss) on realisation of investments	135	18	(199)
Profit before taxation	444	282	193
Taxation	—	—	—
Profit after taxation	444	282	193
Dividends for previous year	—	—	327
Net asset value per share	227c	238c	231c

NOTES:
1. An interim dividend (No. 9) of 4c per share (January 1976—4c) was declared on 24th January, 1977.
2. The net asset value for the half-year is calculated before payment of the interim dividend.
3. The actual profit on realisation of investments for the six months ended 31st December, 1976, amounted to R39,000 (1975—R44,000 loss). Provisions in previous years no longer required and now written back amounted to R196,000 (1975—R62,000).
4. No provision for possible losses on future realisations of investments is included in the figures as this will be considered at the year-end.
5. No provision has been made for taxation as the company has an estimated tax loss.
6. It should not be assumed that the results for the first six months of the financial year will be repeated in the remaining six months of the year for the reasons that:
   (a) income from the investments does not accrue evenly throughout the year;
   (b) the realisation of investments fluctuates in accordance with policy decisions and market conditions.

Head Office and Registered Office. Consolidated Building, Corner of Fox and Harrison Streets, (P.O. Box 590), JOHANNESBURG.

On behalf of the Board
B. J. JACKSON
R. T. SWEMMER
Directors

DECLARATION OF DIVIDEND NO. 9

A dividend (No. 9) of 4 cents per share in the currency of the Republic of South Africa has been declared in respect of the half-year ended 31st December, 1976.

The dividend is payable to members registered in the books of the company at the close of business on 4th February, 1977, and is declared subject to conditions which can be inspected at or obtained from the company's Johannesburg Office or the Office of the London Secretaries (Barnato Brothers Limited of 99 Bishopsgate, London EC2M 3XE).

Subject to the said conditions, payments by the London Secretaries will be made in United Kingdom currency at the rate of exchange quoted by the company's bankers on 21st February, 1977; provided that in the event of the company's bankers being unable to quote such a rate of exchange on that day, then the currency of the Republic shall be converted at the rate of exchange quoted by the company's bankers on the next succeeding day on which such a rate is quoted.

Dividend warrants will be posted from either the Johannesburg Office or the Office of the London Secretaries, as appropriate, on 2nd March, 1977.

South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted from the dividend where applicable.

The Share Transfer Books and Register of Members will be closed from 5th February to 12th February 1977, both days inclusive.

By Order of the Board
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY LIMITED
Secretaries
per C. A. I. CLARKE
Secretary

Head Office and Registered Office:
Consolidated Building,
Cor. Fox and Harrison Streets,
(P.O. Box 590),
JOHANNESBURG.
24th January, 1977.

ATLANTIC ASSETS TRUST LIMITED

Six months to 31st December, 1976

The Directors announce the unaudited figures of the company and of its subsidiary, Independent Investment Company Limited, for the six months to 31st December, 1976. *These are shown below, together with the figures for the six months to 31st December, 1975.*

	31st December 1976	31st December 1975
Balance Sheet Assets		
Investments	£27,227,000	£19,218,000
Dollar Premium (Note 1)	4,958,000	4,446,000
Net Current Assets	493,000	(169,000)
	32,678,000	23,495,000
Financed by		
Debt	5,500,000	6,521,000
Preference	2,000,000	2,000,000
Equity	25,178,000	14,974,000
	32,678,000	23,495,000
Net Assets per share available for Ordinary after deducting prior charges at par	95p	57p
Revenue (Note 2)		
Income—Franked	£115,000	£143,000
Unfranked	388,000	546,000
	503,000	689,000
Interest and Expenses	417,000	326,000
Revenue Before Tax	86,000	363,000
Taxation (Note 3)	47,000	166,000
"Independent" Preference Dividend	19,000	19,000
Preference Dividend	35,000	35,000
Available for Ordinary	(15,000)	143,000
Equivalent per share to	—	0.54p

NOTES
1. CAPITAL
   The applicable amount of the full investment currency premium has been included in the valuation. Twenty-five per cent of this amount is liable to surrender on realisation and would reduce the amount available per Ordinary share by 4.7p.
2. INCOME
   The overseas subsidiary has not been consolidated in these figures.
   The figures for 1976 are not comparable with those of 1975 because of the structural changes which, as announced from time to time, have taken place in the past eighteen months.
   The income for the six months to 31st December, 1976 should not be taken as an indication of the results for the full year to 30th June, 1977.
   Subject to unforeseen circumstances, it is the intention of the directors to recommend an unchanged dividend for the year to 30th June, 1977 of 0.40p per share.
3. TAXATION
   Corporation Tax on net unfranked income was nil (£20,000) and Overseas Tax was £17,000 (£94,000). Tax on franked income amounted to £40,000 (£52,000) and £10,000 was reclaimed under "Section 254" relief.
4. A circular to shareholders giving details of the sale of Bates Oil Corporation and these results will be circulated in the near future.

BALLY BOARD CHANGES

In the nature of a palace revolution

BY JOHN WICKS IN ZURICH

THE BATTLE OF Bally has come to a bloodless end. Before *the start of the extra-ordinary* general meeting last Thursday of the Swiss shoe concern, the supervisory Board resigned with the sole exception of President Walter Heiniger, and a new Board was voted in. The Zurich-based holding company, *Syndikats AG, had won the day.*

What at first glance may look like a typical modern moving-in transaction is actually more in the nature of a palace revolution. A ginger group of shareholders of the group's parent company, C. F. Bally AG, had slowly built up their position by buying stock over a period of several months until they had a voting majority and could determine the make-up of the Board.

Mr. Heiniger convened the January 20 meeting last month at the request of Syndikats, which subsequently announced that it held a controlling interest in the Bally capital. Rather than *be voted out, the existing Board*—apart from Mr. Heiniger, who had been asked by both sides to *stay on—threw in the towel.*

Disaffection

The disaffection in the ranks of C. F. Bally shareholders came in the wake of a difficult period for the Sw.Frs.700m. group, one *of the world's best-known names* in the quality shoe business. Recession, the high Swiss franc exchange rate and, so the critics claimed, management errors put the parent company in the red for the year ended April 30, 1975, and made it necessary to omit a dividend payment for both 1974-75 and 1975-76.

The work put in by the *company to improve the situation* has not been without success. The parent undertaking expects to resume dividend distribution for 1976-77 and the Bally group as a whole reckons with consolidated net profits of about Sw.Frs. 25m. for the past calendar year *after a profit of Sw.Frs.5.2m. in* 1975 and a Sw.Frs.6m. loss in the previous year.

Group profitability has even developed beyond expectations, with overall cashflow for 1976 having risen from some Sw.Frs. 21m. to more than Sw.Frs.40m. *All this has been achieved* despite a rise in group turnover last year of only three per cent., sales still being hampered by sluggish market conditions and the disadvantageous exchange rate.

For the current financial year 1976-77 C. F. Bally *itself anticipates* a Sw.Frs.4m. profit—the highest since 1971-72—after the *minimal profit of Sw.Frs.1.18m.* in the past financial year and a Sw.Frs.1.13m. loss in 1974-75.

This sustained improvement over the past two years has not been enough or has come too late to impress impatient shareholders. At the same time as the 1975-76 annual report was released last June, the Board reported large-scale share purchases by what Mr. Heiniger then called "an anonymous group."

It was alleged that men of straw were being used to buy shares and the Board said it had used its right *to refuse certain* entries into the list of holders of registered shares.

Immediately afterwards, a group of shareholders claiming to represent 55,000 of the 105,000 C. F. Bally shares (capital consists of 90,000 registered and 15,000 bearer shares) called for the election to the Board of "competent Swiss citizens" with a view to renewing dividend payments.

The dissident shareholders *subsequently failed at last July's* annual general meeting to have the statutes amended so that Swiss citizens could no longer be refused entry into the share register. After the meeting, however, representatives of Syndikats—a Swiss-owned hold*ing company in existence since* 1923—started negotiations with Bally by which up to 25,000 registered shares would be entered in the name of this company. Guarantees were given that Syndikats was and would remain Swiss, that it was not *acting on behalf of a third party,* that it would retain in principle Bally's current management policy and that it would liaise with the Bally Board. On September 1 the Board, probably unsure of its ground in a threatened legal suit, agreed to the registration.

Further registrations, as well as Board representation, were requested by Syndikats in November. In December the extraordinary general meeting *was called for, plus the majority* of seats on the Board and the resignation of individual members of the existing Board.

The issue of voting cards for the January 20 meeting proved the Syndikats claim to represent an absolute majority of shareholders and the existing directors, who were not prepared to accept the forced resignation of individuals and have the remainder in a minority on the new Board, resigned, except for *Mr. Heiniger.*

At present, this past history is the only thing which is more or less clear about the change of control at Bally.

Much guessing, for example, is going on as to the man or men behind the scenes. The new Board was presented at the January 20 meeting by a 33-year-old Swiss financier resident in London, Mr. Werner Rey, himself one of the candidates. Mr. Rey, a mystery man to most Swiss, is engaged primarily in the "management and administration of participations" and is said to have a controlling interest in Syndikats. He made a statement at the meeting as to the intentions of the new directors and said that Syndikats regarded its holding in C. F. Bally as a "long-term entrepreneurial investment."

> **It is hard to see what radical changes Syndikats can make or even want to make. The former Board has in recent years put right most of the mistakes and misfortunes of earlier *management decisions*, not least by the reorganisation of the Swiss production subsidiary, Bally Schuhfabriken.**

Some of the strings, at least, seem to have been pulled by Mr. *Roman Abegg, related by mar*riage to the Bally family. Mr. Abegg, believed to have played an important role in organising the shareholder coup, was not present at the extraordinary general meeting in Schoenenwerd, which served only to make him more of a figure of speculation. Nor is he on the Board. Whether he has fallen out with Syndikats or is biding his time remains to be seen.

It is interesting that he and other *family members* appear to be for, or at least not against, the new regime. The only former Board member to be elected to the new Board was Professor Dietrich Schwarz, who belongs to the circle of family shareholders and was previously considered to be the biggest individual shareholder in C. F. Bally. Another family member, Dr. G. A. Frey, who preceded Mr. Walter Heiniger as company president, *gave a little speech* at the close of the meeting to thank the old Board but also to encourage the new.

As to Mr. Heiniger himself, he made it perfectly plain in Schoenenwerd that he disapproved of the way the change-over had been carried out—bought, as he said, at the price of a months' long run on shares which was "unusual, at least in Swiss business history." But he was asked by both the old Board and Syndikats to stay on until further notice in the interests of *continuity and will remain president* until the July 6 general meeting.

It is not wholly clear whether he will then hand over the reins—and certainly quite unclear as to who would succeed him. Since he is chairman of the management as well as Board president, it is possible that he held too much of a key position to be swept away before an almost totally new administration took over and loyalty to the company is keeping him on for the time being.

Much more substantial than all speculation about personalities is the uncertainty as to how Bally's business will be run by the new crew. The call last July for a renewal of dividend payments by the parent company seems to have been met for the current 1976-77 year and the vague statements then made about improving market shares and carrying out desirable diversificatoin was only echoed by Mr. Rey's statement on Thursday.

Apart from assurances to local and employee interests that work-places would be retained, the meeting heard nothing concrete as to how management policy was to be improved. *Shareholders were promised* a letter to this effect soon, once the new directors have the feel of the company, but this was pretty weak for a statement at an extraordinary general meeting called to oust the Board ostensibly for management reasons, and at which one reformist shareholder coined the bon mot of asking for "less responsibility and more performance."

The Syndikats seem not to have considered details necessary since their majority was assured and outside shareholders, in any case had no alternatives to choose from (in the election, 61,000-odd of the 83,892 votes went to the new director, the re-elected Prof. Schwarz obtaining 69,170).

It is hard to see what radical changes Syndikats can make or even want to make. The former Board has in recent years put *right most of the mistakes and* misfortunes of earlier management decisions, not least by the reorganisation of the Swiss production subsidiary, Bally Schuhfabriken AG, of Schoenenwerd, back in the black since last year; the closing of an uneconomic Austrian plant and the improvement of Bally's formerly precarious position on the U.S. market.

The much-disputed Bally sales programme had been given up in 1974. After earlier errors, Bally can hardly be faulted on its current recovery under difficult market conditions.

Indeed, Syndikats itself stressed last year that it did not mean to alter basic management policies—which makes it rather difficult to understand what the former dissidents, having finally made it, will do differently.

Schering's sales growth slows

BY GUY HAWTIN

FRANKFURT, Jan. 24.

SCHERING'S turnover growth appears to have slowed somewhat in the final quarter of 1976. At the end of the first nine months group turnover was up 14.9 per cent., while the expansion rate for the full year *amounted to 11.1 per cent.*

Some slow-down was, of course, to be expected as the West German chemical industry's recovery started in the final quarter of 1975. The West Berlin-based chemical concern, however, has still given no indication of the degree to which profits have improved. In Dec*ember the executive Board con*fidently predicted an increase in earnings, but was not prepared to talk figures.

Group turnover in 1976 totalled DM1.99bn. (£481.8m.), including, for the first time, the figures of its new U.S. subsidiary Nor-Am. Much of the growth can be attributed to the pharmaceutical *sector where sales rose by 10* per cent.—two-thirds of which came from abroad.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on January 24, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the *countries listed is officially controlled and the* rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territory; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate; no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (ex/c) exchange certificate rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the *table below are not in all cases closing rates on* the dates shown.

Place and Local Unit		Value of £ Sterling
Afars & Issas	Djibouti Franc	290 sg
Afghanistan	Afghani	74 A
Albania	Lek	(o) 10.10 A / n.c.
Algeria	Dinar	7.07
Andorra	French Franc / Spanish peseta	8.56½ / 118.225
Angola	Kwanza	n.a.
Antigua (S)	E. Caribbean	4.6400
Argentina	Ar. Peso Free Rate	494.21
Australia (S)	Australian $	1.5803
Austria	Schilling	28.50
Azores	Portug. Escudo	55.475
Bahamas (S)	Ba. Dollar	1.71855
Bangladesh (S)	Taka	26.50 sg
Bahrain (S)	Dina	0.678
Balearic Is.	Spa. Peseta	118.225
Barbados (S)	Barbados $	3.4371
Belgium	B. Franc	(cm) 63.175 / (fn) 63.775
Belize	B$	3.4371
Benin	C.F.A. Franc	428¼
Bermuda (S)	Bda. $	1.5803
Bhutan	Indian Rupee	15.15 sg
Bolivia	Bolivian Peso	34.571
Botswana (S)	Pula	1.4955
Brazil	Cruzeiro	21.58
Br. Virgin Is. (S)	U.S. $	1.71855
Brunei (S)	Brunei $	4.2185
Bulgaria	Lev	1.6501
Burma	Kyat	11.20
Burundi	Burundi Franc	155.25
Cameroon Rp	C.F.A. Franc	428¼
Canada	Canadian $	1.7560
Canary Is.	Spanish Peseta	118.225
Cape Verde I.	Cape V. Escudo	55.475
Cayman Is. (S)	Cay. I. $	1.4321
Cent. Af. Rp.	C.F.A. Franc	428¼
Chad	C.F.A. Franc	428¼
Chile	C. Peso	(Bk) 50.68
China	Renminbi Yuan	3.2253
Colombia	C. Peso	(F) 62.65
Comoros Is.	C.F.A. Franc	426¼
Congo B'ille	C.F.A. Franc	428¼
Costa Rica	Colon	14.7793
Cuba	Cuban Peso	1.42239
Cyprus (S)	Cyprus £	0.711
Czechoslovak	Koruna	(com) 9.96 / (n.c.) 18.75 / (T) 16.69
Denmark	Danish Krone	10.18¾
Dominica (S)	E. Caribbean $	4.6400
Domin. Rep.	Dominican Peso	1.71855
Ecuador	Sucre	(o) 42.62 / (F) 48.16
Egypt	Egyptian £	(o) 0.6542 / (T) 1.1546
Ethiopia	Ethiopian Birr	3.5614
Eq'l Guinea	Peseta	118.225
Falkland Is. (S)	Falkland Is. £	1.0
Faro Is.	Danish Krone	10.18¾
Fiji Is. (S)	Fiji $	1.6116
Finland	Markka	6.55
France	French Franc	8.56½
Fr. C'tyin Af.	C.F.A. Franc	428¼
Fr. Guiana	Local Franc	8.56½
Fr. Pac. Is.	C.F.P. Franc	155.40
Gabon	C.F.A. Franc	428¼
Gambia (S)	Dalasi	4
Germany (East)	Ostmark	4.15¼

Place and Local Unit		Value of £ Sterling
Germany West	Deutschemark	4.15¾
Ghana (S)	Cedi	1.97
Gibraltar (S)	Gibraltar £	1.00
Gilbert Is.	Aust. Dollar	1.5803
Greece	Drachma	63.8375
Greenland	Danish Kroner	10.18¾
Grenada (S)	E. Caribbean $	4.6400
Guadeloupe	Local Franc	8.56½
Guam	U.S. $	1.71855
Guatemala	Quetzal	1.71855
Guinea Rep.	Sily	38.1699
Guinea Bissau		56.2599
Guyana (S)	Guyanese $	4.3825
Haiti	Gourde	8.5927
Honduras Rep	Lempira	3.4371
Hong Kong (S)	H.K. $	8.0725
Hungary	Forint	(com) 71.86 / (nc) (T) 36.52
Iceland (S)	I. Krona	324.70
India (S)	Ind. Rupee	15.131 (sg)
Indonesia	Rupiah	713.198
Iran	Rial	(A) 121
Iraq	Iraq Dinar	0.50846
Irish Rep. (k)	Irish £	1.00
Israel	Israel £	15.39781
Italy	Lira	1,515
Ivory Coast	C.F.A. Franc	428¼
Jamaica (S)	Jamaica Dollar	1.5624
Japan	Yen	499
Jordan (S)	Jdn. Dinar	0.540 (sg)
Kampuchea	Riel	n.a.
Kenya (S)	Ken. Shilling	14.36
Korea (Nth)	Won	n.a. (z)
Korea (Sth)	Won	830.64
Kuwait (S)	Kuwait Dinar	0.4556
Laos	Kip Pot Pol	343.71
Lebanon	Lebanese £	5.0897
Lesotho	S. African Rand	1.4955
Liberia	Liberian $	1.71855
Libya	Libyan Dinar	(P) 0.50882
Liecht'nstn	Swiss Franc	4.3525
Luxembourg	Lux Franc	63.775
Macao	Pataca	12.7825
Madeira	Portug'e Escudo	55.475
Malagasy Rp.	MG Franc	428¼
Malawi (S)	Kwacha	1.565
Malaysia (S)	Ringgit	4.2925
Maldive Is. (S)	Mal. Rupee	14.9192
Mali Rp.	Mali Franc	856
Malta (S)	Maltese £	0.757
Martinique	Local Franc	8.56½
Mauritania	Ouguiya ♣	65.6751
Mauritius (S)	M. Rupee	11.4828
Mexico	Mexican Peso	37.50
Miquelon	C.F.A. Franc	428¼
Monaco	French Franc	8.56½
Mongolia	Tugrik	(Om.a.(z))
Montserrat	E. Caribbean	4.6400
Morocco	Dirham	7.59
Mozambique	Moz. Escudo	55.475
Nauru Is.	Aust. Dollar	1.5803
Nepal	Nepalese Rupee	21.5246
Netherlands	Guilder	4.2575
Neth. Ant'es	Antillian Guilder	3.0763
New Hebrides	Franc / Aust. Dollar	158.42 / 1.5803
N. Zealand (S)	N.Z. Dollar	1.7895
Nicaragua	Cordoba	12.06
Niger Rp.	C.F.A. Franc	428¼
Nigeria (S)	Naira	1.09915
Norway	Norg. Krone	9.1554
Oman Sultanate of (S)	Rial Omani	0.592
Pakistan	Pkst. Rupee	16.70 (sg)
Panama	Balboa	1.71855
Papua N.G. (S)	Kina	1.3841

Place and Local Unit		Value of £ Sterling
Paraguay	Guarani	214.53
P'ple's D. Rp. of Yemen (S)	S. Yemen Dinar	A 0.576
Peru	Sol	(ex/c) A 121.29
Philippines	Ph. Peso	12.7793
Pitcairn Is. (S)	£ Sterling / New Zealand $	— / 1.8028
Poland	Zloty	(Cm) 52.52 / (T) 59
Portugal	Port Escudo	55.475
Port Timor	Timor Escudo	55.475
Principe Isle.		n.a.
Puerto Rico	U.S. $	1.71855
Qatar (S)	Qatar Ryal	6.77
Reunion, Ile de la	French Franc	8.56½
Rhodesia	Rhodesian $	1.0888
Romania	Leu	(cm) 8.49 / (n.c.) (T) 26.60
Rwanda	Rwanda Franc	158.585
St. Christopher (S)	E. Caribbean $	4.6400
St. Helena (S)	£ Sterling	—
St. Lucia (S)	E. Caribbean $	4.6400
St. Pierre	C.F.A. Franc	428¼
St. Vincent (S)	E. Caribbean $	4.6400
Salvador El	Colon	4.30
Samoa (Am)	U.S. $	1.71855
San Marino	Italian Lire	1,515
Sao Tome	Pgse. Escudo	55.475
Saudi Arabia	Ryal	6.05
Senegal	C.F.A. Franc	428¼
Seychelles	S. Rupee	15.30
Sierra Leone (S)	Leone	2.0
Singapore (S)	Singapore $	4.2185
Solomon Is. (S)	Australian $	1.5803
Somali Rep.	Som Shilling	A 10.81327 sg
Sth. Africa (S)	Rand	1.4955
S. W. Africa Territories (S)	S. A. Rand	1.4955
Spain	Peseta	(b) 118.225
Span. Ports in North Africa	Peseta	118.225
Sri Lanka (S)	S. L. Rupee	14.855 (sg) ♦♦
Sudan Rp.	Sudan £	A 0.5994 (sg)
Surinam	S. Guilder	3.0762
Swaziland (S)	Lilangeni	1.4955
Sweden	S. Krona	7.525
Switzerland	Swiss Franc	4.3525
Syria	Syria £	A 6.51567
Taiwan	New Taiwan $	(P) 65.305
Tanzania (S)	Tan. Shilling	14.385
Thailand	Baht	34.9175
Togo Rp.	C.F.A. Franc	428¼
Tonga Is. (S)	Pa'anga	1.3856
Trinidad (S)	Trin. & Tobago	4.1246
Tunisia	Tunisian Dinar	0.710 sg
Turkey	Turkish Lira	26.40 (bg)
Turks & C's	U.S. $	1.71855
Tuvalu	Australian $	1.5803
Uganda (S)	Ug. Shilling	14.26
Utd. States	U.S. Dollar	1.71855
Uruguay	Uruguay Peso	(com) 7.13 / (F) 7.01
Utd. Ab Emts	U.A.E. Dirham	6.93
U.S.S.R.	Rouble	1.25
Upper Volta	C.F.A. Franc	428¼
Vatican	Italian Lira	1,515
Venezuela	Bolivar	7.37 (s)
Vietnam (Nth)	Dong	(o) 4.5799 / (T) [illegible]
Vietnam (Sth)	Piastre	5.7437
Virgin Is. U.S.	U.S. Dollar	1.71855
Western Samoa (S)	Samoan Tala	1.3854
Yemen	Ryal	7.45 (sg)
Yugoslavia	New Y Dinar	31.4623
Zaire Rp.	Zaire	1.46392
Zambia	Kwacha	1.37

♦ That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa.
♦♦ Rupees per pound. Tourists visiting Sri Lanka receive a premium of 65 cents per cent.
♣ The Ouguiya has replaced the CFA franc. The exchange was made at a rate of CFA Frs.5 to one unit of the new currency.
(x) General rates oil and iron exports 72.179.
(z) The Mongolian tugrik has lately been reported to stand at an official commercial rate of 0.236 Russian roubles; the North Vietnamese dong at 0.295 roubles and the North Korean won at 0.783 roubles. With the pound standing at 1.27 roubles the following relationship could be calculated for the pound: £=3.38 tugriks; £=4.35 dongs; £=1.622 won.
Rate is the Transfer market (controlled).
Rate is now based on 2 Barbados $ to the dollar.
Now one official rate.
Following devaluation.

Astra misses its target

BY WILLIAM DULLFORCE

STOCKHOLM, January 24.

ASTRA, THE Swedish pharmaceuticals concern, announces a 12 per cent. growth in pre-tax earnings to Kr.103m. (£16m.) after a 16 per cent. rise in sales to Kr.1.47bn. (£210m.) in its preliminary report for 1976. Adjusted net earnings have increased from Kr.18 to Kr.20 per share.

The result is lower than the 18 per cent. annual growth target for the period 1976-80 set by Mr. Arne Wegerfelt, the managing director, at the beginning of the year. The shortfall is said to be due to unexpected currency rate fluctuations, especially in Latin America.

Mr. Wegerfelt forecasts a 16 per cent. increase in turnover this year to produce a somewhat *larger earnings growth. An important feature in 1977 will be a strong rise in capital investments to Kr.120m. which, it is announced, will be financed entirely from internal resources.

Investments in capital and machinery last year were Kr.95m., a rise of Kr.13m. The concern retains a good cash position with liquid assets at the end of the year amounting to some Kr. 140m. compared with Kr. 104m. at the end of 1975.

● SKANDIA, the Swedish insurance company, reports a preliminary operating profit of Kr.100m. (£14.2m.) for 1976 or almost exactly the same as in the previous year. This is some Kr.50m. less than the target set in the 1975 annual report and Kr.10m. lower than the forecast made in the September interim report.

The company is nevertheless proposing to pay shareholders a dividend of Kr.5 per share, or Kr.15m. in total, which compares with a dividend of Kr.4.67 a *share for 1975 after adjustment* is made for the one-for-two bonus issue last year and a stock split, changing the nominal value of the Skandia shares from Kr.100 to Kr.50 each.

The premium income from non-life insurance rose by 28 per cent. to some Kr.3.5bn. (£500m.) but the company had under-estimated the effect of inflation and the growth in the accident rate on its domestic business, which shows an operating loss of Kr.140m. for the year compared with a loss of Kr.79m. in 1975.

Skandia's profit was saved by a 38 per cent. rise in its inter*national business, which for the* first time accounts for over half non-life insurance and contributed Kr.85m. to earnings. Net income from investments rose by 13 per cent. to Kr.330m., of which Kr.175m. is estimated interest credited to underwriting, leaving Kr.155m. to be credited to the operating profit.

Akzona profits decline

BY MICHAEL VAN OS

AMSTERDAM, Jan. 24.

AKZONA, the U.S. affiliate of the Dutch Akzo chemicals company, has reported a 1976 net profit of $5.6m., or 45 cents a share, compared with $7.9m., or 63 cents the year before. Sales have risen by 7 per cent. to $729m.

A statement from Arnhem said that the final 1976 quarter had shown an operating loss, due primarily to depressed conditions in the fibre industry and strikes at three major plants. These strikes were settled during the quarter. That quarter's loss *amounted to* $2.8m., which compares with a profit in the same 1975 period of $7.7m.

The statement said that according to Akzona's Chairman and President, Mr. Claude Ramsey, the company should turn in "significantly better" results in the current year with the expected economic improvement. As for the past year, American Enka Company was "marginally profitable" and along with Brand-Rex Company and Organon had lower earnings than in 1975.

It was added that Armak Company had slightly higher earnings, while Armira Corporation and International Salt Company had recorded higher sales and earnings in 1976.

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Spanish Industry

Spain is experiencing dislocation in its chosen transition to democracy, a change which is already affecting investment, productivity, labour—in fact most of its society. It is having to rely on international goodwill in coming to terms with these problems.

The pangs of rebirth

By Roger Matthews
Madrid Correspondent

POLITICAL EVOLUTION and industrial development are inevitably closely linked in any country, but rarely with the intensity that they will be in Spain this year and for the foreseeable future.

With the international spotlight focused so strongly on the nation's reactions to the death of General Francisco Franco in November 1975 and the tentative but now more positively rooted attempts to evolve from dictatorship to a form of democracy, it is perhaps not surprising that what made Spain news during the 1960s and early 1970s—its emergence as a major industrial nation — should at least temporarily have become of lesser significance.

But, of course, the two issues cannot be taken separately and the performance of one can both stimulate or restrict progress in the other. Democracy in Spain stands a better chance because of the country's industrial strength and its growing dependence on other Western nations, yet equally failure to equip and prepare industry for the parallel effects of changes in the social and economic system might also pose a serious threat to the eventual establishment of what the government calls a "return to popular sovereignty."

From the late 1950s until the end of 1973, Spain enjoyed, and sometimes suffered, a period of tremendous industrial growth which transformed the country from one with a primarily agricultural base to one that now has a powerful manufacturing sector. The general buoyancy of other Western economies, the government's liberal attitude to foreign investment, the ready supply of a well disciplined and inexpensive workforce eager for the benefits of a consumer society, and the absence of democratic institutions that can militate against almost uncontrolled expansion, combined to produce real annual growth rates that only twice during this period dipped below 5 per cent.

It became fashionable among government ministers to refer to the "economic miracle" and to compare Spain's growth in the West to that of Japan's in the East. Politically, the word "prosperity" was added to the years of "peace" that General Franco had brought to Spain since the catastrophe of the 1936-39 Civil war which had left the country close to economic and industrial bankruptcy.

In the heady days of the 1960s not too much attention was paid to the basis for the country's new "peace and prosperity" while the headlong rush into mass tourism even pushed the balance of payments into healthy surplus and allowed successive rises to the level of reserves. But by the second quarter of 1973 it was already clear that the economy was badly overheating and that dampening measures would have to be taken — a decision that was taken out of the government's hands by that autumn's Middle East war.

However, for historical political reasons the then Government did not admit to reality without a struggle, and for at least the first half of 1974 the effects of economic depression and the successive rises in the price of crude oil were scarcely allowed to register on the performance of the industrial sector. While other members of the OECD immediately adopted measures to restrict oil consumption and to adjust to the downturn in international trade, the Spanish authorities continued to give the appearance of believing that the new world economic conditions were little more than a temporary hiccough that would soon pass. As a result Spain was relatively late into recession and is therefore certain to be rather slower in recovering from it, even without the series of other factors that have since come to bear on the situation.

Factors

These other factors can be roughly divided into two, the economic and the political, although there is of course considerable overlapping. On the economic side, the dual effect of the oil price increases and the recession in most major economies, pushed the Spanish balance of payments strongly into deficit and forced basic questions to be asked about the Madrid Government's ability to take corrective measures. It also exaggerated the already serious imbalance between the country's propensity to import and the relative lack of goods to export. Last year Spain imported over twice as much in value terms as it exported, while at the same time invisible earnings from tourism, workers' remittances and long-term capital flows made a relatively smaller contribution to bridging the gap.

As imports tend towards being rather inelastic and would be likely to show a fairly strong upward tendency during a period of positive economic revival, future Governments will undoubtedly be looking to stimulate the exporting potential of manufacturing industry. A number of economists outside the Government have long been urging moves towards a more basic restructuring of industry that would seek to provide more of the goods of the necessary quality to compete in international markets and especially would prove attractive to the oil-exporting nations.

However, Spanish products must also compete on price terms which highlights another structural deficiency. Partly due to political reasons, but also due to the country's commercial system, inflation in the past 12 months has again moved significantly ahead of most of Spain's main trading partners and will probably not be brought down towards more manageable levels until there is a popularly elected Government prepared, at least initially, to force a general tightening of belts. The present wages policy allows for increases equal to the cost of living rise in the past 12 months, plus 2 per cent. Effectively this means built-in wage increases of between 20 per cent. and 25 per cent., even if they could be properly policed. As it is those workers in large-scale industry tend to get more because of their bargaining weight and many of those in the mass of small and medium-sized companies do comparatively less well. Government Ministers will admit privately that with a balance of payments deficit last year of over $4bn., an inflation rate of about 20 per cent. and unemployment moving towards 6 per cent. of the active workforce there is an urgent need for action.

At this point Ministers claim that they do not have the political weight to impose solutions, and certainly not the political willingness just a few months before the country's first general elections since the mid-1930s. The political issues are many, ranging from the crucial question of business confidence, through trade union freedoms to the much discussed possibility of achieving a social pact that would both re-distribute and restrict income levels.

Although many leading industrialists would argue strongly that Spain has a bright economic future there is no denying that confidence, especially as measured through investment decisions, is at a low ebb. The change from the Franco era, with its special blend of authority, self-interest, and laissez-faire for those in privileged positions that achieved its own special mode of operation, to the unknown but suspected dangers of a democracy is obviously unsettling.

For the major banks, which are suspected of directly or indirectly controlling around 40 per cent. of Spanish industry, there is the disturbing element of Left-wing discussion of the role of nationalisation in the economy. For some leading figures in State-run companies, often the cosy niche provided for ex-Ministers, there is the threat of the wind of efficiency. And for the truly professional industrialist and the multinational companies operating in Spain there will be anxious months ahead when they come to balance the wisdom of their original investment decision and to review both the prospects for domestic growth and for better access to the Common Market through eventual Spanish membership.

Adaptation

The success of political transition in Spain will in no small measure be due to the speed with which managements can adapt to it, and nowhere more so than in the field of labour relations. The lack of political freedom under General Franco was partly compensated for by relative security of employment that made it difficult for employers to shed labour, although militants could be dealt with fairly ruthlessly. The illegal labour unions that were pursued and their leaders jailed up until 14 months ago are now emerging strongly into the light and seem bound to be legalised before too long. How they will be allowed to operate remains largely a question for the newly-elected Parliament, but in the inevitable political competition for members and the Communist Party's eagerness to demonstrate its industrial weight, there is certain to be heavy pressure on managements that are often unskilled and certainly inexperienced in the more delicate forms of industrial relations.

The evidence of the past six months has not always been particularly encouraging, especially in the public service sector where the absence of workers' rights to hold meetings and the willingness of the authorities to employ riot police has added to the store of ill-will. However it seems that there is no way in which the vertically-organised "sindicators," that under Franco brought together managements and workers under Government direction, can survive even in a heavily reduced and modified form. Yet if there are to be free trade unions, then presumably employers have to be given the right, in the interests of industrial efficiency, to reduce over-staffed plants and negotiate productivity deals.

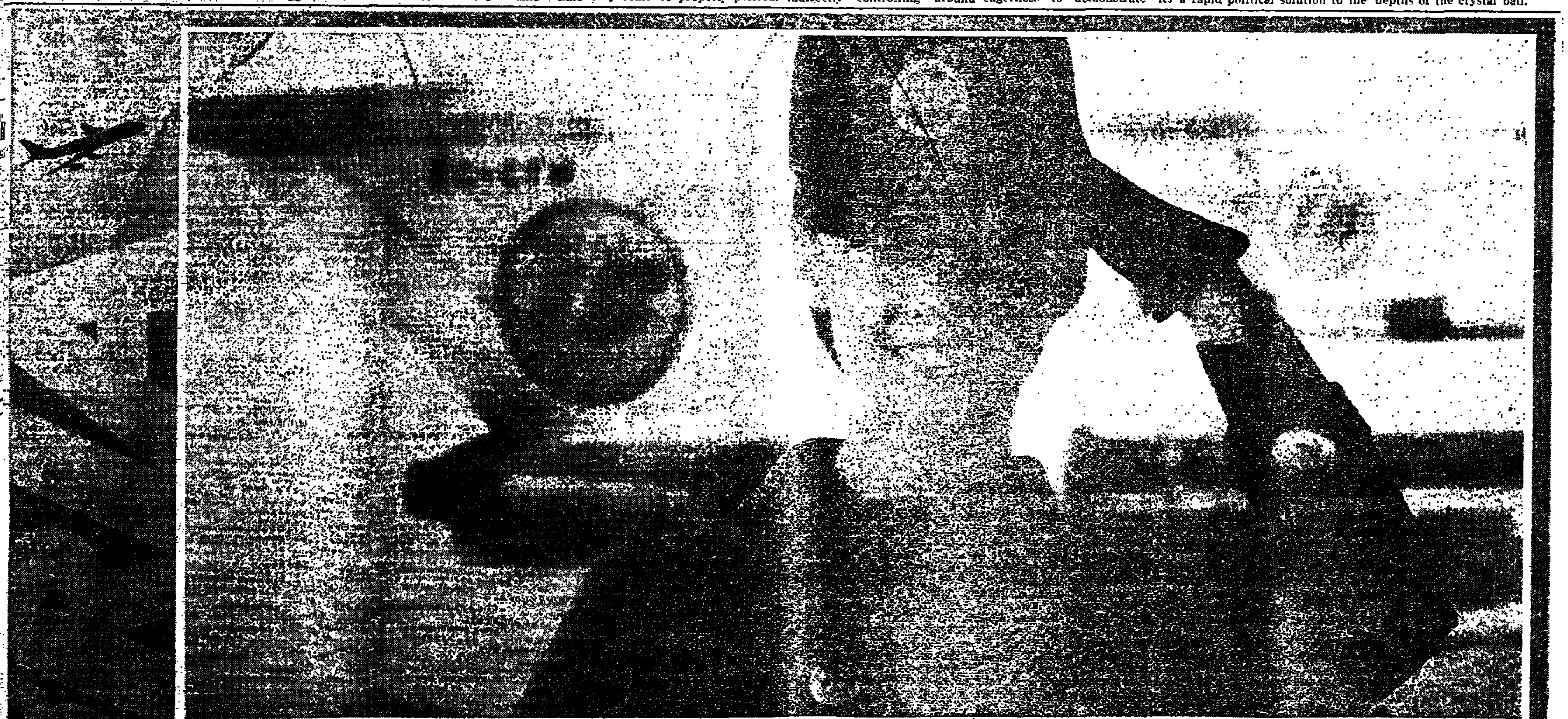
Considerable labour mobility, and the necessary Government aid to promote it, is going to become of mounting importance if the country is to undertake any more positive industrial restructuring both to meet the challenge of the current account deficit and the officially stated aim of belonging to the EEC. This mobility may also need to take into account the social problems posed by the geographical imbalance of heavy concentrations of industry in the Basque and Catalan regions and around Madrid which has left other areas poorly served and with per capita incomes sometimes less than half that of their wealthier brothers.

The new parliament will give a more vigorous voice to the regions, both those that wish to regain the pre-Civil War control they enjoyed over their own affairs and those that rightly feel that they have largely missed out on the industrialisation process. In this context a rapid political solution to the unrest and violence in the Basque provinces would be especially beneficial because of the repeated effect on industrial production of strikes that have solely political aims.

During the present period of political flux and until such time as a democratically chosen Government has had time to study the situation and formulate a new industrial policy Spain is obviously going to be heavily reliant on international goodwill and more concrete forms of assistance. On the one hand this will obviously mean access to foreign loans to prevent the danger of a too sudden application of brakes that might thrust the country deeper into recession, and, on the other, practical advice on establishing different forms of democratic institutions, especially in the trade union field.

Individuality

However, it must also be remembered that the Iberian Peninsula is rightly famed for its individuality and that the democratic process, like its industrial progress, will not be based on any existing Western model. For foreign companies considering coming to Spain as a result of the even more liberal foreign investment legislation now forthcoming, it would be advisable not to be too startled by any apparent lack of logical progress but to hold firmly to the probability that despite all the problems the country has nowhere to go but towards the mainstream of Europe. It may be some while before Spain can begin to think of achieving the growth rates anywhere near those of the 60s, but on the best of political scenarios within three years the nation might be back on the road towards more solidly-based expansion. If, in the meantime, democracy fails then economic forecasting as with many Spaniards' aspirations will revert to the murky depths of the crystal ball.



Ailing economy needs direction

THERE IS a wide degree of agreement about the serious state of the Spanish economy, but according to Prime Minister Adolfo Suarez an almost as wide divergence of opinions about how the problems should be tackled. In the field of economics there is nothing new about that, but what distinguishes Spain from most other members of the OECD is that conflicting advice has been used as a reason for inaction, whereas political fear is probably a stronger root cause. The resultant drift, marked by regular changes at the Ministry of Finance and a startling absence of Ministers with any form of economic training, has steadily exacerbated the dangers posed to the stability of the economy by the repeated rises in the price of crude oil imports following the Middle East war in the autumn of 1973 and the parellel recession which was then beginning to make itself felt in many Western countries.

The balance of payments swung from surplus into serious deficit, inflation received a new upward push, and unemployment began to emerge as a major problem. While there was nothing unique about this set of circumstances it was accompanied by a steadily weakening growth rate and a government policy that seemed primarily based on the hope that Spain's main trading partners would at any moment begin to lift themselves out of recession.

Recent policy statements from the U.S. and Japan have again raised hopes that reactivation may finally be under way, but it is also recognised that Spain's structural faults are now of a magnitude that requires serious consideration over the medium and long term. Some economists are arguing that the economic model that brought the country an average real growth in Gross National Product of 7 per cent. in the 14 years before 1973 is now obsolete and that until this is finally understood by government there can be no hope of sustained recovery. Much of this argument is based on the evolution of the balance of payments. Since 1959 when industrialisation, fuelled by more liberal foreign investment regulations, really began in earnest the country has run a balance of trade deficit. Only once during the 1960s was there a current account surplus, and only twice was there an overall balance of payments surplus. And this despite strong net inflows of long-term capital with the entry of many foreign companies into the market.

Reserves of convertible currencies and gold hit a peak of over $1.5bn. in 1964 but ended the decade with just over $1.2bn. The purple years of the early 1970s with the swift climb of tourism as a major foreign currency earner—it alone more than cancelled out the trade deficit in 1971—plus the mounting remittances from Spanish workers abroad not only pulled the current account into substantial surplus but also allowed large sums to be added to the reserves.

Changes

These reached an all time peak of nearly $7bn. in 1973, at that time considered to be almost excessive for a still developing nation that maintained some of its industries behind the shelter of high tariff and quota barriers. Since then the picture has changed dramatically. In 1974 the current account deficit was $3.1bn., the following year $3.5bn. and in 1976 government sources say that it was in the region of $4.3bn. This latter figure has come as a nasty blow to the Government, especially as the former Minister of Finance Senor Villar Mir, had forecast less than 12 months ago that it would fall to below $3bn.

In the absence of any new Government initiative the forecasts for this year are scarcely more encouraging due to the inevitable political uncertainty of the coming months, the further increase in the price of oil announced by OPEC, and the apparent inability of the strongest members of the OECD to expand their economies significantly.

It is also difficult to see how Spain is going to make any immediate impression on the trade deficit where exports now account for less than half of imports. This huge gap is to an extent bridged on current account by the contributions of both tourism and workers' remittances from abroad but they too have decreased as a result of the recession.

During the first nine months of last year tourism earned Spain $2.4bn., a fall of just over 13 per cent. over the comparable period of 1975. In the peak year of 1973 tourists brought the country nearly $3.5bn., since when there have been three years with inflation well into double figures, an indication of the true real loss to the overall balance of payments.

Despite bullish noises from Government departments it is difficult to see tourist arrivals increasing this year and at this stage bookings from Britain, for example, are significantly down. Similarly until there is a positive pick-up in the demand for labour, especially in West Germany and in France, no increase in workers' remittances can be anticipated with perhaps a stronger decline as new emigration becomes even lower.

Levels of inflation in Spain have also made foreign trips, especially to shop in the U.K., more attractive to the wealthier middle class so the net balance on tourism is likely to be further reduced. All this makes the need to stimulate export performance even greater and there are signs that the 10 per cent. downward readjustment of the peseta against most leading currencies nearly a year ago did have a salutary if rather temporary effect. Since then the peseta has been allowed to ease slightly but the real argument now taking place is whether there should be an abrupt formal devaluation of rather more than last time. The Bank of Spain and Ministry of Finance are wavering between the school which says that devaluation is pointless until the country has the products to take advantage of a cheaper peseta and that meanwhile it would only serve to increase inflation, and the school which demands a devaluation of around 20 per cent. in order to act as a sharp psychological shock to a nation whose senses have been dulled for too long by Government promises that all is well, or will be shortly.

But in order just to maintain the competitiveness of goods in international markets it seems inevitable that the peseta will have to drop steadily in value against most leading currencies, if only to reflect the difference in inflation rates between Spain and most other industrialised nations. At a time when most of Spain's competitors have been waging a more or less successful fight against inflation, the Spanish rate as measured by the cost-of-living index has again increased so that the country nearly heads the OECD league table. During the past 12 months the index has risen by close to 20 per cent., up by 3 per cent. over 1975 which was considered to be exceptionally high because of the effect of the oil prices increases still working themselves through.

Restraints

Tentative Government efforts to establish a wages policy have scarcely been ambitious with the present regulations allowing for pay deals up to 3 per cent. above the recorded level of inflation over the previous 12 months. Attempts to regulate prices have also met with very limited success and it was particularly ironic that during one period items that were subject to special Government control rose more rapidly in price than those that were not. A new list of commodities has now been drawn up in what appears to be a more determined effort, but the lack of an effective machinery to police the policy plus the confusion that will surround the forthcoming elections and establishment of a new Parliament does not presage great success.

The country's heavy dependence on imported raw materials and particularly on oil, combined with the weakness of the peseta, also means an almost built-in inflationary factor which will be difficult to reduce. Probably the most the country can hope for in the next 12 months is a reduction of 4 per cent. in the cost of living index, which will still leave Spain uncomfortably in advance of its rivals.

Of course inflation, if not at the present rates, is something Spain has lived with for many years. However it was then combined with prodigious annual increases in GNP whereas for the past two years the economy has scarcely grown at all — less than 0.5 per cent. in 1975 and perhaps 1.8 per cent. last year. That there has been any growth is almost entirely due to the gentle upswing in exports and the still quite buoyant demand for some consumer goods.

Meanwhile investment, on which the hopes that the economy has finally bottomed out must rest, is understood to have shown another decline last year in the order of 1.5 per cent. compared with the fall of more than 3 per cent. the previous year. This does not bode well for 1977 and investment intentions as measured by the Ministry of Industry have yet to show a more positive trend. Probably many major investment decisions will now await the results of the general elections and the composition of the new Parliament, but, presuming these are welcomed by the business community, then there could be a spurt in the second half of the year.

From the point of view of employment, investment has never been more vital. Despite the relative difficulty of declaring workers redundant, unemployment is approaching 800,000 or nearly 6 per cent. of the active workforce. There are substantial differences in the two sets of official figures published, but it is widely thought that if the only partially employed agricultural workers were taken into account together with the number of women who have given up searching for jobs the total would be close to 1m. The tendency is also upwards with what is a predominantly young population providing a large batch of school-leavers every year and the country no longer able to export unemployment as it did in the 1960s to more prosperous nations.

Already it is causing social problems with unemployment reaching over 10 per cent. in areas in the south of the country emphasising the strong imbalance in industrial development. Combined with the rise in unemployment there has been a reduction in overtime working and in the number of people who do two or more jobs, thereby, according to some Government officials, tending to reduce the number of industrial stoppages. Certainly what had been forecast to be a "hot" labour autumn turned out rather milder.

While growth in the economy will be essential to control the rise in unemployment, such projections as have been made for the rest of the decade show that it has to be carefully controlled and directed to prevent an even more intolerable situation arising with the balance of payments. In the Bank of Spain's annual report last year it was demonstrated that annual growth rates of much more than 3 per cent. would push up the current account to levels that would be difficult to finance.

Although Spain's foreign debt level has not yet reached really worrying proportions it can be expected that creditors will before long begin to impose conditions on the conduct of domestic financial policy. Depending on the source of information, the present debt figure is in the region of $11bn., while the reserves have dropped to about $5bn. The biggest loan achieved last year was the $1bn. provided by an international consortium of banks that was arranged following the visit of King Juan Carlos to the U.S.

Loans

Other loans are now understood to be in the process of negotiation and both Prime Minister Adolfo Suarez and the King are due to pay a series of visits soon to the Middle East where they will be looking also to promote trade deals in a belated effort to offset the increases in the price of oil.

It is also being argued that if the Western world wishes to see democracy established in Spain then it must be prepared to underwrite the attempt that is being made at the moment, and this is certain to cost many more billions of dollars.

No precise figures are available on the amount of money that has left the country illegally since the death of General Franco but is not thought to be a alarming. However, it is something the Bank of Spain will be constantly trying to monitor and the number of prosecutions for currency smuggling offences have stepped up sharply.

Faced by such a general panorama — current account deficit of over $4bn., inflation at 20 per cent., unemployment around 6 per cent., and scarcely any growth in GNP—it is not surprising that the present Government came to the conclusion that any remedial action would be politically highly unpopular. But it is largely the result of the unwillingness of Governments to act for the past three years that has led to the present situation and will make the medicine that much more unpalatable when it finally comes to be applied. It is certainly not the best of inheritances for what may be the first democratically elected Government Spain has seen for over 40 years.

Roger Matthews

Industry waits for better times

FOR THE PAST 12 months Spanish industrial companies have in general just been trying to hold on and await the first signs of reactivation. There is a widespread feeling, most marked in official circles, that once confidence begins to return industry will begin to pick up quickly and that this snowball effect will also be reflected in investment intentions.

The two underpinning factors of the economy recently have been the relative strength of consumer demand coupled with some improvement in the level of export orders. The latter have not been of sufficient weight to effect any major turnround in business feeling but this trend certainly aids the Government's policy of forcing a change in the attitudes of industrialists towards the possibilities of exporting.

With the domestic economy growing so rapidly during the past 15 years too many companies naturally preferred the relatively easy profits to be made there rather than the more taxing business of trying to sell overseas. However, with eventual membership of the Common Market now coming to look like a possibility some time in the 1980s Spanish industry has both to prepare itself for the exporting challenge that offers and for the threat that will be posed to sales on the domestic market.

Above all this requires investment on a substantial scale. In the latest three-monthly survey of business opinion on investment the Ministry of Industry reported that for the final quarter of 1976 there had been a further weakening. This to some extent contrasted with the November general survey of business opinion, which perhaps because it was carried out later, indicated a slight increase in optimism both on the level of order books and on the trend of production.

Improvements

Although still well below what industrialists would consider "normal," orders for the industrial sector (excluding construction) did improve a little in October, but still left demand for capital equipment goods near the all-time low recorded during the final quarter of 1975. In contrast, the buoyancy of demand for consumer goods was reflected again through a further increase in the index for this sub-sector.

Industrialists mentioned particularly the relatively high level of orders for domestic electrical goods, including televisions and radios, while quoting those industries with perhaps the greatest worries about new orders as iron and steel, non-electrical machinery and shipbuilding. The outlook for shipbuilding, which is almost entirely controlled by the State, is especially bleak. According to an industry survey the situation will be critical almost immediately for the builders of small ships and a similar prospect faces the biggest constructors by the end of the year.

It was stated that 13 out of the 15 shipyards concentrating on ships between 1,000 and 1,500 tonnes would have nothing to launch in the second half of the year, for those ranging up to 8,000 tonnes, 13 out of the 18 operating would launch their last order before the end of 1977, and for those building ships larger than 8,000 tonnes, five out of the seven would have nothing left to launch after the end of the year. The Government has announced that it will be placing orders of 1m. tonnes but even this will do little to relieve the plight of the industry, which ranks No. 5 in the world list.

Competition

Because of the hesitancy of world economic recovery and the severe competition that exists in the shipbuilding industry, particularly from Japan, the Government is being urged to site new labour-intensive factories in the coastal areas where the main yards are concentrated in order to avoid serious long-term unemployment. Ironically, one of the main reasons given for new investment by industrialists at the moment is to facilitate a reduction in production costs because of the continuing rise in wages levels and the relative inflexibility of labour legislation.

Iutput of steel last year is thought to have been down slightly on 1975, partly as a result of the reduced activity of the shipyards and a further drop can be expected in 1977 unless the industry is more successful in export markets. Accusations of dumping against the Spaniards also reflect the amount of stockpiling that went on during 1975 when it was considered the recession would be much shorter lived than it proved.

Substantial investment is continuing in the integrated plant at Sagunto, near Valencia, in which U.S. Steel has an important stake, and further steps have been taken to integrate the activities of a number of smaller producers.

Also near Valencia, at Almusafes, the Ford Motor Company provided one of the brighter moments of the industrial year by opening ahead of schedule its $500m. plant for producing its first compact car, the Fiesta. Eventually the plant will employ more than 9,000 and will be capable of turning out around 280,000 vehicles a year.

The country's biggest car manufacturer SEAT, in which Fiat has a stake of over 35 per cent., lost money last year and will undoubtedly feel the pinch of competition from the Fiesta in the small car range. Fasa-Renault, which also had a difficult year but is going ahead with expansion plans, is also finding a challenge to its popular R-5, while Citroen, with its plants in the north west is planning to start production there of the Peugeot 504. The fall in orders for heavy vehicles has had its effect on the profitability of Chrysler, although car orders are reported to be holding up well.

Two important areas where the Government has expressed itself well pleased with progress are chemicals, with the substantial investments in the Huelva development area by in particular Rio Tinto Explosivos and Dow Chemical, and in electronics where output has doubled in value during the past five years.

Perhaps the single most gloomy area by contrast is the construction industry, which has been affected simultaneously by the fall in industrial activity, the reduction in public sector spending and by the end of the tourism explosion. More than 35 per cent. of the country's unemployed are building workers. According to the latest survey of business opinion the situation will continue to worsen during the rest of this year unless corrective measures are taken.

Another of the important issues of last year, along with the need to stimulate industrial exports, was the Government's anxiety over the size to which the bill for foreign technology had grown. A Ministry of Industry official commented that Spain's dependency on technology from overseas was reflected in the fact that from January to August last year the country paid out 15 per cent. more than it did during all of 1975.

If that were to be projected forward the full year, he said, Spain would end paying in the region of $500m., an increase of 60 per cent. over the previous year. Apart from the damage this would cause to an already suffering balance of payments, it was stressed that it could also have a negative effect on the country's exporting ability because Spain would be offering virtually identical goods back to the supplying nation.

The lack of research and development in Spanish industry, which spreads through virtually all sectors, has long been recognised as deriving from the historical absence of really large domestic companies with the requisite funds, plus the national tendency to capitalise on profitability wherever possible. Profit was, and still is among certain often family controlled companies, something to be withdrawn, not to be reinvested in non-revenue producing areas. Research and development obviously come a very long way down the list.

But as Spain is far from rich in raw materials and is beginning to lose its former edge on labour costs there is an urgent need for some formula which can eventually help to turn round the huge trade deficit.

For some industrialists the Common Market offers a possible long-term solution, whereas others fear that the opening of the domestic market to full foreign competition could prove disastrous unless undertaken with extreme caution. However, it cannot be too long before foreign car manufacturers, for example, start demanding less restrictive access to the Spanish market in response to the big exporting effort the Spaniards are now mounting.

But industry is not expected to be such a difficult negotiating point as the fate of Spain's agricultural produce. With more than 20 per cent. of the country's labour force still employed in agriculture this will be of major importance to Spain as it will be for different reasons to the other nine, or by then perhaps eleven, members of the Community.

Of more immediate and practical significance for Spain is the aid it might be able to expect from the major Western countries during the next few years. The country as a whole and companies individually will be actively searching for further international loans in the next few months, the availability of which could have an important bearing on employment levels and on confidence generally.

But probably the last thing that Spanish industry, and especially the least efficient part of it, needs at the moment is lots of cheap money without conditions. Some people believe that it was just that set of circumstances during the 1960s which served to build up so many of the difficulties that industry is facing to-day.

R.M.

GROWTH IN SPAIN

● FACILITIES FOR FOREIGN INVESTMENT

It is obvious that Spanish economic development during the past fifteen years has been attained through an increasing process of integration between Spanish and the World's economies, and as part of this process foreign investment in Spain has played a crucial role.

In effect the three main pillars of Spanish economic policy which has been used for the past two decades have been the consequence of a total flexibility of the economy in order to adapt it to the schemes of a market economy, the maintaining of a realistic rate of exchange and its handling according to International Monetary Fund regulations as well as foreign investment as a support of the economic expansion process.

Foreign investment has made it possible to obtain the additional amounts of capital needed in order to achieve the forecasted rates of development, simultaneously with the income for foreign payments required to offset our trade balance which was strongly influenced by the rapid growth process and, last but not least, it has also supplied the technology needed to improve business methods and production processes.

With a climate of freedom for the exercise of their economic activities, foreign corporations have obtained during the last years satisfactory levels of yields in a market with a great dynamic growth. In this economic climate, the total amount of foreign investment has been very important, especially direct investments; namely those that materialise in the control of Spanish companies by foreign capital, which amounts to an annual figure between 300 million and 400 million dollars and have contributed as a principal element to the favourable course of the Spanish economy. At the same time, this important flow of capital serves both as a receiver of investments and also for new investors, as a valid reference in our market.

The wish to attract foreign capital has not changed in the government's declarations insisting in the function that is being left for foreign capital in Spanish economy. To this effect liberal and wide legislation allows participation of foreign capital without government intervention up to 50 per cent. of the total capital of the company and there is also quite a liberal system granting authority for higher percentages. The latter is easily obtained.

On the other hand, growth expectations for Spanish economy are reasonably good: there is still an abundant supply of labour, fairly well trained, or with easy training capability, productivity increases of the Spanish economy, which stand well over the OECD average still have great possibilities for improvement and, finally, internal demand in rapid evolution offers an interesting market.

If we add to this, as Spanish foreign trade figures show, the country's great possibilities as a platform of concurrence for third markets; we can have an idea of the attraction for foreign investment that Spain maintains.

Oil refinery on the Mediterranean

● OVERSEAS TRADE EXPANSION

Growth in Spain in recent years was brought about by a remarkable expansion of Spain's foreign sector. Imports in 1959 amounted to 8 per cent. of GNP. Last year this figure nearly doubled (15 per cent.). Other items have followed the same pattern. Tourism, for instance, leaped through the sixties to levels that would have aroused incredulity only a few years before.

The fast rate of growth has only been possible thanks to avidly needed purchases of foreign goods by domestic industries. Economic growth thus explains the upward trend of imports.

The removal or reduction of tariff barriers to trade has played an important part in this. Spain, a member of most international economic institutions, has made clear to the EEC its intention to become a full member as soon as possible, considering the present 1970 Treaty, for political as well as for economic reasons.

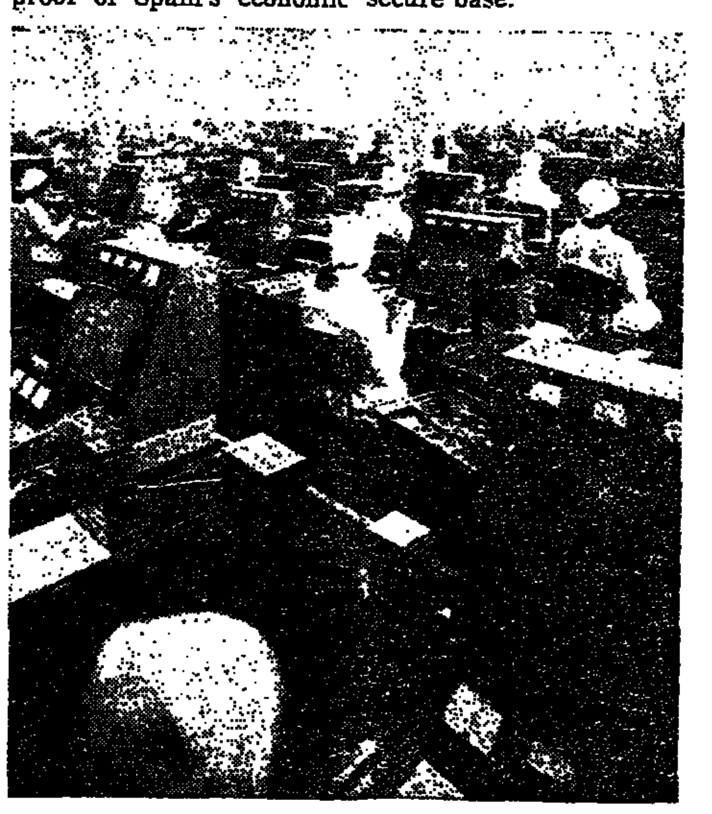
The build-up of new industries has made Spanish products highly competitive everywhere. Many would be surprised to know that in 1975 only 22.1 per cent. of Spanish exports were made up of agricultural goods, 23 per cent. of consumer goods, 21.5 per cent. of investment goods and the other 33.6 per cent. of raw materials and semi-manufactured commodities. Spain is no longer as agricultural country. Food is no longer the basic export product, as is still widely presumed. Ten years ago, it accounted for 46.7 per cent. of total exports, and investment goods for only 10 per cent. The widespread re-adjustment in trade structure stands as the best proof of Spain's economic vitality. A growing number of customers all over the world rely on Spanish technology and craft.

This breathless growth rate has put the trade balance under severe strain. Until the oil crisis, exports, tourism and migrants' transfers covered import payments comfortably, thus levering the balance of payments on current account. Heavy reliance on imported oil, as it lacks energy resources, has made Spain's Trade balance in 1975 the world's most unfavourable ($7.3 billion), despite the 7.3 per cent. growth in exports, amid a general trade slump.

The overall surplus on invisible earnings was not enough to outweigh the deficit on visible trade, the current balance showing a $3.5 billion deficit in 1975. Continuation of a trade deficit was thus foreseen and fashioned a widespread conviction that the Peseta was overvalued. The recent devaluation has set Spain on the road towards external balance in the medium term. In the short term the situation seems quite manageable, as the Official reserves amount to more than $5 billion. Spain will finance its next current balance deficits without any stress.

The favourable trends already shown by the western economies, will help Spain to level its external balance, as foreign customers and visitors will see their purchasing power increased by the economic recovery.

Becoming an EEC partner will also help by giving Spanish products free entrance to a much larger market. Western Europe would also gain a dynamic member, thus resting on a secure base.



Electronics factory

● HIGH ECONOMIC GROWTH RATE

Spain is one of the countries which has experienced a high economic growth in the last fifteen years. The annual rate of development during this period has been 6.7%, remarkably higher than those of France, West Germany, and even the United States. This country, with a privileged geographical position, between two continents, and with access to three great seas, enjoys a great potential for development, with its abundant labour force and its capacity for investment and rapid assimilation of technological progress. This profound process of economic growth is evident in the evolution of the main indicators. In 1960, Spain's per capita income was slightly over $300 and in 1975 this figure has grown to $2,000.

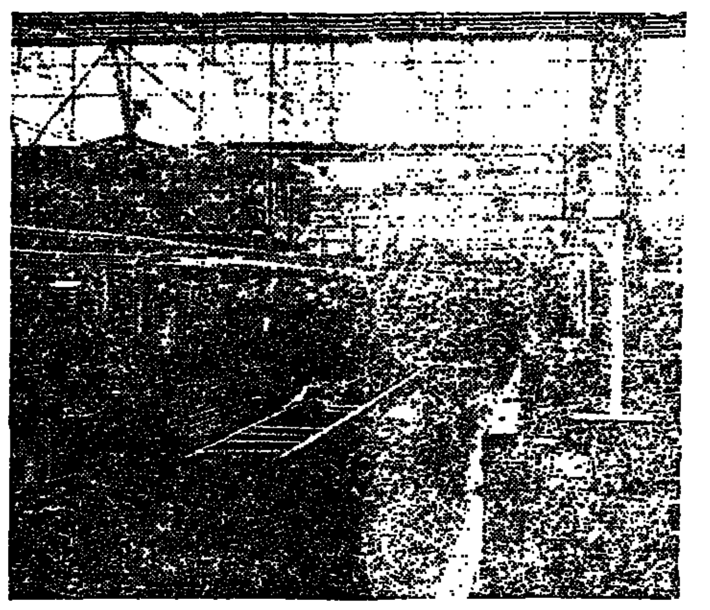
One of Spain's most important economic resources is its human capital; its population enjoys improving qualifications and productivity. The Spanish population has experienced strong expansion, showing an increase of 16% during the last fifteen years, therefore contributing to an important rejuvenation of its potential labour force which, in spite of the considerable and constant increase of employment levels, could be completely absorbed only with difficulty in the future.

The surprising development of Spain has consisted not only of a quantitative growth of the main economic magnitudes but also a profound transformation has taken place in the production system. This becomes evident in the evolution of the relative sectors of production from different economic areas. Agriculture has slowly yielded its traditionally important role in favour of industrial production and services. Capitalisation of agrarian production and the constant movement of the labour force towards other sectors has improved productivity in the land and has brought about a change in the economic profile of Spain. From being a country of great relative agrarian output she has become a strongly industrialised nation. Agriculture in 1960 accounted for 23% of its GNP and to-day it is only 10%.

It is well known that to-day Spain is one of the world's biggest industrial countries. Industrial growth has experienced one of the greatest increases this century, comparatively higher than those shown by countries with really outstanding industrial progress like Italy, West Germany or France, and even comparable to Japan's remarkable process of industrialisation.

In the services field, Spain has also reached considerable expansion helped to a great measure by the impact of tourism. This feature is well highlighted by the number of visitors from abroad which has increased from six million in 1960 to more than 30 million in 1975 (Spain's population is thirty-five million).

In the same way as the boom in the Spanish economy took place after overcoming isolationism and with the departure from the so-called economic and political autarchy at the beginning of the sixties, the start of a wider process of incorporation into Western institutions taking place in Spain can now lead to a new stage of growth on a quite different and stronger base. More active competition with European markets, extension of commercial activities in international markets, introduction of new management techniques, attraction to foreign investments, among other factors, will help very effectively to maintain the high rates of growth and to start a new process of development within "new frontiers," more in accordance with the Western institutional framework.



Lorry factory

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Likely shortage of energy

THE NEED to adapt Spain's energy policy to mounting industrial and domestic demand and to the realities of the crisis imposed by the successive rises in the price of crude oil has been one of the main preoccupations of the economic ministries during the past year.

Against the background of a current account deficit for last year of over $4bn. it can be seen why the country urgently needs to moderate its consumption of energy, very difficult to achieve in what is still a developing country, or to find indigenous lines. Just over 15 years ago oil supplied only 41.8 per cent. of the country's total energy consumption, followed by coal with 34.1 per cent. and hydro-electric power with 24.1 per cent. Last year these figures had changed dramatically with oil leaping to 68 per cent., coal slumping to 16 per cent., hydro-electric power down to 10.7 per cent. and with nuclear power (3 per cent.) and natural gas (1.3 per cent.) nudging into the picture.

In the short-term it will be very difficult to alter these basic proportions, although by the middle of the next decade the outlook is likely to be altogether brighter. Unfortunately for the country its two traditional sources of energy supply, coal and hydro-electric power, have both diminished. Set a production target of 17m. tonnes last year, an increase of 18 per cent. over 1975, the coal industry fell short by some 3m tonnes. Throughout the 1960s coal output fell until it dropped below 13m. tonnes in 1973. Of this, nearly 7m. tonnes was coal, nearly 3m. anthracite and the remaining 3m. tonnes lignite.

With the steel industry until recently in a phase of rapid expansion, this led to a serious shortfall in the domestic output of coking coal, forcing steadily increasing imports from the U.S. and Poland. Last year it is estimated that Spain imported about 4.2m. tonnes of coking coal, another serious drain on the trade balance.

Plentiful

In common with many other countries, the relative cheapness and plentiful supply of oil during the 1960s led to a steady running down of the coal mining industry as it found itself increasingly unable to compete in price terms. Although Spain has been seeking to re-launch the industry it has also been faced with heavy investment costs at a time of growing competition for whatever funds are available and a series of aggravating labour disputes which have seriously affected production schedules. Because of the parallel difficulty of modernising many Spanish pits, mainly centred in the Asturias region, it would appear unlikely that coal can be thought of as even temporarily taking the pressure off the mounting imports of crude oil.

The other indigenous source of energy, hydro-electric power, has also been suffering, primarily as a result of last year's drought. Output from this source was down 16 per cent. last year on 1975, but with dams now holding substantially more water than they were at this time 12 months ago there is good reason to hope for an improvement during the coming months. With electricity playing such a vital role in Spain's overall energy consumption—it supplies a far greater proportion than in most other industrialised nations—this will only help to meet what is expected to be a further increase in demand this year.

During 1976 the production of electricity rose by almost 10 per cent., despite the fact that industry was working well below capacity. This reflects the *continuing strong increase* in demand for domestic uses, a trend that will probably continue both as a result of the relatively buoyant sales of electrical equipment for the home and because of the Government's plan of taking electrical power supplies to those rural areas which have so far been missed out. Any increase in industrial activity will also act as a sharp boost to consumption, though at best this is unlikely to become apparent until after the summer.

In the document prepared by the Spanish Government for the international banks that contributed to last summer's $1bn. loan it was stated that recent discoveries of oil in the Bay of Biscay may amount to 500m. tonnes which would be sufficient to provide up to 50 per cent. of domestic requirements for a period of 12 to 15 years. The document's authors added that according to reports the flow of oil from this source would reach a peak by 1984. The degree of caution in the wording reveals the lack of certainty which accompanies the statement.

The Government is planning large increases in *electrical* generating capacity and over the next seven years has a $6bn. scheme that will add 130 per cent. to thermal energy sources, 50 per cent. to hydro-electric units and, by far the biggest 500 per cent. to nuclear output.

The huge push into nuclear energy represents very substantial investment calling for 22,000 MW of installed capacity by 1985. So far there are three small stations operating, the first of which came into service in 1968, the other two following in 1971. In the next 24 months four more units are due to start producing followed by five more in the period between 1981 and 1983. Another 12 sites have been chosen for the remainder of the programme, the total investment figure for which is likely to top $9bn. and may even exceed that due to the rapid escalation of costs.

This is a far more ambitious programme than many more industrially advanced countries have contemplated. Of course, all the technology has to be imported even though the government is fast developing production facilities for the construction of components inside Spain. Westinghouse is well ahead of General Electric as the principal supplier with Kraftwerk Union recently having managed to get into the market. However the very tight programme set by the government seems increasingly likely to run into delays for a number of reasons. First, the basic financial factor. However "necessary" the nuclear programme might be thought to be, funds are becoming increasingly tight and face the threat of being diverted towards maintaining employment in other industrial sectors.

Influences

Secondly, democracy will make Spain a less ideal climate for the nuclear technologists to work in. Already there have been fairly vocal protests by local communities at the siting of some of the plants, and this can only increase with the acquisition of greater political liberties. Thirdly, a new Government is bound to take a fresh look at the country's energy policy and may well decide to slow down the rate of nuclear advance for both economic and social reasons. Much may also depend on the political flavour of future cabinets.

The present Minister of Industry, Senor Perez de Bricio, aware of some of these trends, warned last October that the topic of nuclear energy had to be studied in cold reality, "to turn our back on it would be to renounce progress for our country and for our standard of living." Though his views may be slightly overstated given that demand for electricity could well reach a slower rate of increase more rapidly than is presently believed, there is little doubt that at present it offers one of the few hopes of checking in the longer term the mounting bill for oil imports. Natural gas, while arriving in increasing quantities during the next few years, will make much more than a dent in anticipated energy needs. What Spain needs industrially, economically and politically is significant quantities of her own oil. With that almost everything else would fall into place.

R.M.

Growing labour pains

IN THE field of Spanish labour relations there is still everything to be done. While some parts of industry are certainly comparable, in terms of equipment and productivity, with their European competitors there are huge strides to be made in the interaction of workers and management if the democracy is not to prove as much a handicap as an asset.

Since the end of the Civil War in 1939 labour relations, as they are understood in most Western countries, have not existed in Spain. There have been a few partial exceptions, particularly in smaller companies, but as far as the state was concerned the banning of all independent workers' organisations meant that disputes should not arise, or where they did, they were solved in the last resort by force. Strikes were illegal and although towards the end of General Franco's rule they steadily increased in number they were not a problem that caused any serious disruption.

This, of course, proved highly attractive to many multinational companies especially as in the early days of Spain's big thrust forward labour was also significantly cheaper than in many more developed nations. The Spanish labour force also justifiably earned the reputations of giving a good day's work and of being largely free from erosive arguments over demarcation or other inter-union related issues.

The legal framework remains basically the same to-day, with workers and management *grouped together in the "vertically"* organised syndicates that are effectively under government control. The national syndicate organisation is a vast bureaucracy with nearly 35,000 employees and was one of the political cornerstones of the Franco rule. However, it is fast crumbling, with its demise being hurried along both from within the government and from the outside where the still illegal labour unions are daily becoming a more potent force. Because the country is in political transition it is inevitable that there should appear to be a lack of direction, and nowhere is this more apparent than in the relationships *between workers and management.*

Negotiations

In some sectors companies are now agreeing to negotiate wages deals with elected representatives of the workers, while in others (and usually for reasons of political conviction) there is an insistence to continue working through the legal syndicate system. The situation is further complicated because no machinery exists, outside the syndicates, for the workers to elect their own representatives. Towards the end of the Franco era, the illegal unions did take advantage of the fact that the most junior syndicate jobs could be gained by election and achieved a growing degree of infiltration, but never much above shop-floor level.

The present Government, and especially the Minister responsible for syndicate affairs, Senor Enrique de la Mata, *recognises* the real force of these nascent unions but is politically unwilling or unable at the moment to give them legal status.

A first step is being made with a new law that will give workers the right of association, but more profound reform will have to await the composition of the new parliament some time before the summer. The fiercest rear-guard action to be fought against even the present proposals is being waged by the employers' representatives in the syndicates, in sharp contrast to many managements which more than anything want a new legal framework within which they can work and negotiate. Opposition results in part through the fear of loss of privilege and social status, but also from political belief, for inevitably free trade unions will open the door to the banned Communist Party.

Majority

Of the four main, illegal, but usually tolerated union organisations, the Communists effectively control the largest, the Workers Commissions. This organisation has been rent by internal divisions during the past few weeks, much along the lines of the Portuguese *argument following the military* coup in 1974, only in Spain's case it is the Communist Party which is the more moderate force. Under the umbrella of the workers commissions, as it existed until recently, there were several political currents that only began to surface under more liberal government policies. Those minority currents to the left of the Communist Party, which very much follows the line of Euro-Communism, demand a single unitary structure for all workers and say the Communists have abandoned the original principles of the workers' commissions. The political force behind this argument is basically the Workers' Revolutionary Organisation (ORT) and the Spanish Workers Party (PTE). The effect of it was first seen during last autumn's postal strike when there was a sharp and bitter split on a return to work, thereby lengthening the dispute by several days.

The official communist and majority line, however, favours "new style" trade unions by which it recognises the possible plurality of labour organisations. In other words it sees a role for the other three principal unions, the General Workers Union (UGT), which is closely aligned to the main socialist party (PSOE), the CNT that has its roots in Catalan anarchism, and USO which is also socialist-oriented but claims not to have any clear link to a political party.

Apart from these unions there are a number of purely regional organisations which have a certain force, especially in the Basque and Catalan provinces. A co-ordinating committee formed by members of the workers commissions, UGT and USO was set up last year, but attempts at forming a single unified structure never got beyond the initial stages. These three organisations, together with the CNT which has a strongly independent line, are all engaged in membership campaigns that some industrialists fear could cause disruption if they become excessively competitive.

The split within the workers commissions has already had its effect on the public sector and these internal conflicts might *become more pronounced during* an economic crisis and until such a moment that the mass of the workforce can see clearly the options that are open. Probably less than 5 per cent. of the active workforce of over 13.5m. is affiliated to a union and the resistance of the authorities to allowing mass *meetings during industrial* disputes can be a positive aid to the more militant factions.

With an important part of public opinion apparently behind the liberalising attempts of the Government the situation might seem ripe for negotiations with the unions that would give them legality and concessions on a number of other points in return for a commitment on the conduct of labour disputes that would establish the principle of the secret ballot conducted by an independent body. Ministers believe a large part of the workforce to be much more conservative than the leadership of the main unions, but if they miss the opportunities that now offer the situation could become increasingly more difficult.

Some, presumably future, government is also going to have to tackle the potentially explosive issue of security of employment. Under the Franco regime it was difficult to sack a worker who had not committed what was basically a political offence. Troublesome workers were thus dealt with and even if an official labour tribunal said a man had been dismissed unfairly, management could still choose to pay compensation rather than re-employ him.

Twice in 18 months this law has been changed, first to oblige employers to follow the labour tribunal's ruling, and then to revert once more to the original sense of the legislation but with an added clause that workers could now be contracted for six-month periods without any legal responsibility on the part of the employer. This last item was included because it was thought it *might help to combat the rising* level of unemployment, the causes of which are, of course, far different. However, the illegal unions are not going to give up the present relative security of employment without a fierce struggle, even if changes must be central to any efforts to restructure industry.

But as Senor de la Mata is known to recognise, the single biggest danger to a satisfactory form of labour relation in Spain is ignorance. This can come in several forms. First, the ignorance that makes some employers believe that the law can solve everything: pass a new act and all will be well. The message that some members of the cabinet are now trying to get across is that flexibility is perhaps the most valuable asset for the months ahead. Second, the ignorance that will not admit the reality of the new labour unions and the demise of the syndicate system. Third, the ignorance that believes Spain can grow industrially while remaining politically substantially different from its main trading partners. And fourth, the imposed ignorance of the past 40 years which has meant neither employers nor workers ever entered a dialogue that was meant to provide concessions and reach agreement.

Alternatives

Unfortunately no one has too much time in which to learn and, as there will be no formal classes, the only alternative is trial and error. Therefore there will be plenty of errors. But the prizes for even a limited form of success could be enormous. The sight of moderate wages agreements being reached through bargaining, of understanding being shown of opposed points of view, of efforts being made to persuade peaceably, could give industrial confidence a tremendous boost. Even the sight of a government minister meeting the leadership of the *illegal unions recently* was enough to lift a few spirits. After the General Election in May or June a more intensive phase of evolution will begin but this should not disguise the fact that the next two or three months are going to be very important in setting the tone for these developments.

R.M.

Scope for foreign capital

[S]PAIN'S RAPID growth in the [l]ast 15 years (the fastest in [W]estern Europe) has meant an [ev]en more rapid growth in her [fo]reign trade. Imports in 1975 [re]ached $15,500m., and although [th]is represented only about 15 [pe]r cent. of GNP, a lower pro[po]rtion than for most European [co]untries, there can be little [do]ubt of the importance of [fo]reign trade to the economy, [be]cause of Spain's pronounced [de]pendence on imported energy [so]urces, principally oil of which [Sa]udi Arabia was the largest [su]pplier in 1975, because of the [sti]mulus to Spanish growth [fro]m her own rapidly rising [ma]nufacturing exports, and because of continued reliance on imports for much of the equipment and technology required to build up her own economy.

Why then is Spain not yet well enough known to British exporters? Part of the answer may be that Spain is not yet as easy a country to export to as the U.K.'s EEC partners, since she retains some of the administrative framework associated with a controlled economy.

Thus a number of products remain subject to quantitative limitations by global quota: the level of tariffs and of supplementary domestic taxation on most manufactured imports is considerably above EEC levels, and Government measures (additionally important in a country where the State's major direct stake in many industries often makes it the prospective customer) are frequently designed to encourage the purchase of domestically-produced, rather than imported, goods. Moreover, some companies have been reluctant to become too involved in Spain because of uncertainties over political development. But the sophisticated and better informed firms are aware that the barriers will fall as Spain becomes more integrated with the rest of Europe, and a number of big investors, especially American and German—for example Ford, Siemens, General Electric—but also some major British firms, have long been heavily involved in Spain. Although the Spanish economy is currently showing little if any real growth, there remain plenty of opportunities for foreign industrialists.

Some U.K. companies have been successful and the U.K. ranked 6th as supplier to Spain in 1975, after the U.S., Saudi Arabia, West Germany and France, and with a total in 1975 of £335m. exports had a 5.3 per cent. share of the Spanish market for imports.

Spain's imports have continued to rise in 1976, and the U.K.'s. share of them has risen in line, so that U.K. exports should top £400m. in 1976. It is expected that through discussions between Spain and the EEC the tariffs Spain applies to exports from the U.K. (plus Denmark and Iceland), will soon be brought into line with those applied to the six original EEC States.

The composition of U.K. exports shows the importance of chemicals and engineering products which between them account for over half the total. Consumer goods are as yet less significant, although Spain as a whole is a good market for such traditional products as whisky and fine cloths and clothes, as a number of successful store promotions have shown, because the quota system significantly protects Spain's own consumer goods industries from fully open competition in these fields.

Changes in the EEC relationship should however help exporters in these fields more than others, and already the duty-free markets of the Canaries and the North African ports of Ceuta and Melilla are exceptions to these quota restrictions, all of them good markets for U.K. processed foods, clothing and even motor cars.

Exporters should treat the Canaries, Ceuta and Melilla as separate for their marketing purposes. But to Peninsular Spain the bulk of exports are iron and steel, chemicals, such special cases as china clay and gold, and above all the products of the mechanical and electrical engineering industries. Motors, pumps, valves, generators, mechanical handling machinery, excavating and earth moving machinery, computers, electronic equipment and machine tools are all important. In general the more advanced the technology, or the more complex and large-scale the requirement, the greater is the likelihood that Spain will need to import it, and it is in these fields that U.K. exporters make the bulk of their sales.

Growth

This gives some idea of where the opportunities for British exporters already are. Starting from a modest base, with income per head of only $250 in 1960, Spain has grown to be a significant industrial power (the 10th in the world on some counts), and her needs from overseas suppliers are increasingly similar to those of other industrial countries. In some fields, particularly shipbuilding and nuclear power (where Spain is the third largest programme in Europe), she is near the top in world terms, and across the board, in steel, chemicals, vehicles and now an increasing spread of more sophisticated secondary manufacturing industries, impressive strength has been built up. This does not yet make her as open a market as the U.K.'s. main EEC partners. A look at Spain's tariff structures, and the framework of regulations in which many of her industries operate, shows that once Spain has productive capacity in a particular field, protection is provided for it to flourish and if possible dominate its own markets and expand into exports too.

Mining of coal and other minerals, is benefiting both from consciousness of Spain's energy deficit and from the rationalisation of mining policy likely under a law published in January. British exporters of mining equipment, traditionally quite strong, will have new opportunities. Similarly, as Spain seeks to diversify its energy sources, not only through the nuclear power programme already mentioned, but also through offshore exploration and the import of liquid gas, there are good opportunities there. In the field of welfare services, the largest opportunities for suppliers are unquestionably in the medical field, where the social security system has a large programme of hospital development, and interest in sophisticated equipment is high. Education would come next, with scope for suppliers of audio-visual aids.

Agriculture too merits more attention: Spain is largely self-sufficient in tractors, but still needs equipment for soil preparation, harvesting and irrigation and livestock management.

Preferences

Investors from the U.K., though some are long established and others, such as Laing and ICI have built up very large and successful interests in Spain comparatively recently, have on the whole been less prominent. Yet direct investment perhaps with a Spanish partner, may often be a highly satisfactory way for a U.K. firm to establish itself in the Spanish market, through a direct presence in Spain to manufacture some parts of its range, with others still being supplied from the U.K.

This may often be the best way to cope with the mixture of tariffs, quota protection and preference for local supply, and yet make good profits. Another option, if direct sales are ruled out would be manufacture under licence but, as in most countries nowadays, it is not always possible to win permission for a level of royalties sufficient to provide the desired return.

The Spanish authorities, while naturally ensuring that Spain's interests are protected by requiring guaranteed levels of investment and job creation, take a positive attitude to foreign investment. But here, as in most aspects of business in Spain for the foreign company, it is important to check carefully whether official permission is needed for a company's planned activities. This applies to investment, technology transfer, and indeed to the provision of services by consultants of any kind.

For the firm which is selling direct from the U.K., the key requirements seem to be value for money (price is often the key factor), good delivery, modern stylish design and vigorous marketing effort, the latter a point on which U.K. producers are most often criticised here. Other points would be as for most markets: careful attendance to agency relationships, correspondence in Spanish if possible, since only top executives and engineers—and not all of them—speak English, and good service back-up.

Among other agencies available to help the U.K. businessman in Spain (including representatives of several U.K. banks and a number of major accounting firms), the commercial department of the British Embassy has staff able to give advice at Barcelona, Bilbao, Las Palmas and Vigo as well as Madrid itself.

But above all, the U.K. industrialist, despite Spain's rapidly (but positively) evolving political climate and current economic recession, should simply be aware of the value of including Spain in his plans. The international credit rating of the country remains high, the political evolution means that such barriers as remain between Spain and the rest of Europe are steadily being reduced, and 35m. increasingly prosperous consumers, and the industrial structure they require to support their standard of living, represent considerable potential only two hours flight from London. Many major British companies have realised this and are now taking a fresh look at Spain.

By a correspondent

Banks need to adapt

[N]ONE SEEMS to have much [sy]mpathy for bankers and right [be]cause the headlines have [st]arted appearing in the [Sp]anish Press to hail the local [fin]ancial community. "Bad [ye]ar for the economy, good year [fo]r the banks," they proclaim [wi]th slight variations. Perhaps [su]ch comments might be taken [as] compliments because in Spain [du]ring the past 12 months there [ha]s been a notable increase in [bu]siness failures and bank[ru]ptcies, although not yet of [wo]rrying proportions, and a far [gr]eater number of companies [wh]ich have either gone into the [re]d or suffered sharply reduced [pro]fits.

That is only to be expected as ... economy so thoroughly ... turned to a healthy annual rate ... growth has suddenly found ... itself in a pit without an easily ... found bottom. The really ... worrying thing for Spain would ... if the banks failed to make ... useful profits given their ... absolutely central role and the ... very direct and indirect stake ... maintain in the industrial ... or. And more so because ... helpful official control on ... interest rates for transactions ... during periods of less than ... years, which still forms the ... of Spanish banking business.

... e country's industrial ... was largely based on the ... plentiful supply of cheap credit ... strongly. Interventionist ... Government, at least in so far ... e ground rules were con... d, enabled low rates of ... est to be paid to the small ... and effectively banned ... obvious fiscal competition ... en the banks. Because the ... rd still is by nature very ... itive—the country has a ... high savings ratio—the ... worked well, if in a ... tly inequitable manner ... as explained officially by ... ed to catch up with the ... the industrialised world. ... system was also of con... ble benefit to the banks ... rew fat on the proceeds ... t incurring the expendi... effort which is inevitable ... ore open market.

... r approach to industrial ... g was often influenced by ... ct that they had very ... l methods of assessing a ... creditworthiness and ... re favoured six-month ... r loans. As long as they ... see that a company was ... to stay solvent for the ... alf-year they appeared to ... fe. Or alternatively, and ... men at the request of ... the banks would take a ... n a company thereby en... a regular credit flow and ... ntial treatment at times ... t money.

... mportant, but unknown, ... tage of the big banks' ... profits come from their ... ial participations, an ... reason for believing that ... 1976 very few of them ... ave enjoyed a real in... Additionally, in the past ... ars the banks have been ... full advantage of relaxa... n the rules about opening ... es which has led to a tre... us spurt in new building ... rush to open branches ... part due to the fact that ... offices had tended in the ... reflect on the level of ... ts, and in part to switch ... ographical weight of ... in line with population ... ents from the rural areas ... large cities. However it ... oved a costly business, ... lly at a time of sharply ... inflation and a mounting ... of other demands on a ... resources.

... profound changes are due ... Spanish capital market if ... meet the challenge of an ... ore sophisticated economy ... ventual Common Market ... rship. Although there is ... istance from parts of the ... world to permission ... ranted for foreign banks ... tablish themselves in ... there now seems little ... n halt it. At least half a ... anks are knocking at the ... d the President of Venez... gged the memory of the Spanish authorities when he was here recently.

It is not envisaged that the new entrants would offer any competition for domestic deposits but would concentrate on the profitable market of international loans and the servicing of some multinational companies. No strings were attached to the $1bn loan to the Kingdom of Spain raised by an international consortium of banks last summer, but obviously participation was seen as the possible signature on the bottom of an application fo.m.

The present political change is acting as a spur to modernisation with the banking world extremely sensitive to accusations of "bunkerism," the term that is given to those opposed to any change. Because the banks are reputed to have such an influence on the country's economic performance there are inevitable demands to bring them under state control—especially if there is a Government chosen by popular mandate. However there would have to be far more profound political changes than those presently envisaged and a much sharper deterioration in the economy before nationalisation became a real possibility. On the other hand no elected government is likely to brook non-co-operation from the one or two banks that have the least liberal reputations.

Privileged

Some sectors of industry are also anxious to see changes in the government agencies that act as a vital link in the so-called "privileged circuits" whereby deposits are taken from the savings banks and private banks and re-lent at preferential rates to those concerns deemed to be of special importance. These circuits tend to benefit the big and powerful and ignore the small but perhaps more modern and dynamic.

The savings banks, with their strength in rural areas and an increasingly modern management which has competed successfully with the big commercial banks in the battle for deposits, also wish to shed some of the shackles of bureaucratic control. Over 60 per cent. of their deposits are subject to Government direction, a situation which they claim militates against efficiency and especially against balanced industrial development.

Of more immediate concern is the state of the three stock exchanges which have not only failed to realise their potential as a source of long-term finance for industry but have been seriously affected by the combination of economic downturn and political uncertainty. The General Index of the Madrid Exchange finished last year more than 28 per cent. down and has already shed another 5 per cent. in the opening weeks of 1977. On the admission of the Governor of the Bank of Spain, Senor Lopez de Letona, the authorities intervened on several occasions last year in a bid to halt downward slides and restore a degree of confidence, but after every spurt the Index slipped back again.

Part of the problem, of course, is the historical attitude of investors towards the stock exchanges which tended to be thought of as places to make a quick capital gain, as indeed they were during the halcyon days of the 1960's and early 1970's.

Obviously the next two years are going to be extremely difficult for the financial and industrial community in Spain as changes will be mooted, and probably made, when confidence and the economy in general are at their lowest points for a long time. However, it will be vital to maintain a degree of confidence and for all the country's financial institutions there must be a sight of the carrot as well as a touch of the stick.

RM

Motors in good form

THE LONG process of adopting the Spanish motor industry to the competitive pressures of the wider European market began in earnest last year with the emergence of Ford as a major new local manufacturer.

Ford brings to Spain a car—the Fiesta—which was conceived as a product suitable for any market in Europe. It is made on the kind of scale, achieving the level of manufacturing economies, which are familiar in most developed motor markets, but are as yet new to the highly protected Spanish industry. And most important of all, Ford has brought in its train a new set of regulations for the industry which encourage car exporting and begin to open the way to car and component imports.

As yet these developments are at an early stage. But they clearly imply a gradual breaking down of the trade barriers created by the late General Franco between Spain and the rest of Europe. Behind these moves lies a basic shift in Spanish thinking in favour of membership of the EEC for which, it is accepted, the country needs time to adapt.

In order to meet the demands of this move into Europe, the Spanish Government is clearly trying to expose the motor industry gradually to more competitive pressures. Under the old rules for the industry, manufacturers operated behind large tariff barriers which virtually doubled the price of any imported car, thus giving the domestic producers a relatively secure base on which to build up a business.

New competitors to the two domestic manufacturers SEAT and Barreiros, which were both founded in 1953, were introduced selectively as the market grew. This meant that, following the general relaxation of the limitations on foreign investment both Citroen and Renault established plants in Spain. These were later followed by British Leyland, which took over a small company called Authi, but was forced to withdraw again in 1975, and then Ford, which opened its Almusafes factory, near Valencia, in October, 1976.

As a result of all this development Spain has imported a great deal of foreign expertise. Even the two original domestic manufacturers have now come under the sway of overseas interests. SEAT, formed by a consortium of local banks, has always had a Fiat equity stake which has now grown to 36 per cent.; and the Spanish company is heavily influenced by Fiat's design and engineering ideas. Barreiros, founded on the outskirts of Madrid by a celebrated Spanish entrepreneur and diesel engine expert, has gradually passed under the control of Chrysler.

So far, however, despite the presence of these international companies, the Spanish industry has not pushed through towards the kind of organisational efficiencies that exist in the rest of Europe. The industry is still characterised by short production runs and relatively labour intensive methods. Whereas most manufacturers in Europe, for example, make between 100,000 and 300,000 of their most popular cars a year, Chrysler is only producing 60,000 vehicles split between four models; and SEAT has six cars going down its lines in a factory with a capacity of only 360,000 vehicles.

Technique

Ford has brought an entirely new element to the scene. Its Almusafes factory has a car assembly capacity of more than 250,000 vehicles and engine lines capable of making well over 400,000 vehicles a year. In other words it is applying precisely the same kind of scale techniques that it uses in the rest of Europe. Its labour force will be similarly tightly controlled—the facility is to employ about 9,000 workers against 30,000 at SEAT, Barcelona, plant, which is not a much larger facility.

At the same time the Ford interests have been closely integrated with the rest of the company's European operations, much more so than those of the other companies operating in Spain. This means, again, that it is able to benefit from a more efficient use of resources, concentrating investment of certain key vehicle components on one factory.

The initial impact of Ford's drive into Spain, however, has been deliberately limited by the Spanish Government. An agreement with the company commits it to exporting two-thirds of production, while selling in Spain no more than 10 per cent. of the previous year's total registrations. This means that Spain should be able to look forward to a steady increase in exports—which will strengthen its exports preparatory to the expected imports insurge from the Common Market—while protecting the existing car assemblers in the country from the full blast of Ford's competition.

At the same time Ford's agreement has brought with it a relaxation of Spain's stringent local content regulations, which, by demanding that 90 per cent. of Spanish-produced cars should be made from Spanish components, was designed to protect and foster the local parts industry. Under certain conditions—usually in return for big export commitments—other companies have now been allowed to follow the example of Ford and bring in components worth up to 50 per cent. of the final value of the car. Renault, Citroen, Chrysler and Fiat are all expected to seize the opportunity this gives them to integrate their Spanish plants with their own home bases: Fiat, for example, is shipping parts to SEAT for a Spanish version of the 128 3P, and in return SEAT is building up its exports through Fiat's European network.

One of the more intriguing features of the Spanish Government's policy towards the motor industry in the past is the way in which it has managed to control its steady development while maintaining reasonably profitable companies. But this comfortable development has been put in jeopardy by the oil crisis, which caused a slump in the car market. With a fresh and aggressive manufacturer—Ford—starting up locally as well, the industry looks set for a competitive and difficult few years.

One factor which exacerbated this situation last year was the tight control the Spanish Government maintained over car prices despite vociferous complaints from the industry. This situation has been eased slightly by a recent price increase, but the advantages achieved from that will probably soon be wiped out by wage increases now filtering through of well over 20 per cent.

The only encouraging sign is that registrations have now begun to climb slightly again. It is probable that the full record for 1976 will show a slight improvement on the 572,000 vehicles sold in the previous year, and there are hopes that new models now coming through the pipeline will help to stimulate the market.

In the longer term, once Spain has emerged from its current balance of payments problems, the car manufacturers are pinning their hopes on the tantalising prospect that Spain's car ownership rate is still half that of the rest of Europe—seven people to a vehicle against 3.5 in the rest of the EEC. That gives the producers a solid target to pursue.

Terry Dodswort
Motor Industry Corresponde

VEHICLE PRODUCTION

	1975		1974		1973		1972	
	Cars	CVs	Cars	CVs	Cars	CVs	Cars	CVs
Authi	15,121	2	30,763	366	43,318	530	34,199	264
Chrysler España	66,655	6,679	76,097	8,671	86,510	7,181	62,962	5,026
Citroen—Hispania	92,783	18,167	69,671	21,707	52,098	20,837	41,567	16,269
Fasa—Renault	192,759	13,225	166,771	16,637	166,003	15,671	126,491	12,250
Seat	328,806	3,272	361,272	3,423	358,504	2,649	335,340	3,098
Fadisa	—	8,356	—	9,177	—	6,808	—	6,002
Aisa	—	5,642	—	7,437	—	6,602	—	5,640
Mevosa	—	13,565	—	13,773	—	12,328	—	11,220
Enasa	—	24,559	—	26,517	—	23,136	—	17,690
Viasa	—	2,151	—	2,675	—	2,230	—	1,587
Metalurgica de Santa Ana	—	11,601	—	9,800	—	8,604	—	8,425
Motor Iberica—Ebro	—	10,821	—	12,657	—	9,011	—	7,187
Total	696,124	118,040	704,574	132,840	706,433	115,587	600,559	94,658

Source: Agrupacion Nacional de Fabricantes de Automoviles y Camiones.

—NEW REGISTRATIONS —

SPAIN	CARS	CVs
1966	250,673	87,553
1967	290,827	93,143
1968	309,880	82,297
1969	377,767	79,741
1970	399,171	77,995
1971	432,669	74,860
1972	506,453	87,498
1973	595,176	101,418
1974	575,723	100,813
1975	572,188	94,672

Source: Ministerio de la Gobernacion

Crisis in chemicals

AMONG THOSE peculiarities which Spaniards readily embrace as national characteristics—though never, of course, personal ones—are a cheerful disregard for discomforting truths, and an almost fanatical faith in the infallibility of their own opinions. When the evidence can no longer be ignored, the Spaniard will sooner abandon a long-cherished notion than qualify it, having no taste for the middle ground or the conditional tense.

Thus in the Spanish chemicals sector, current opinion runs from euphoric confidence to hand-wringing despair, with almost nothing in between.

Achievements

Against a backdrop of real achievement, with new investment continuing to pour into the industry, surviving optimists can state a fair case, to which the concept of "room for growth" is the key. They point out that the modern Spanish chemicals industry which started from scratch in the mid-1960s has consistently outstripped GNP growth ever since. Output has sextupled in a decade and coverage of domestic chemical requirements has reached 40 per cent. against 23 per cent. in 1965. Chemical consumption of P100bn. in 1965 now approaches P1,000bn., yet per capita chemicals use remains well below European levels. New plant being commissioned this year should narrow the chemicals trade gap, which amounted to P65bn. in the first 11 months of 1976. New installations worth P20bn. were brought on stream in 1975, and 30 more new plants and expansions representing some P35bn. were started up last year. A further P250bn. will be invested in chemicals by 1985 if all projects currently under construction or under study are brought to term.

If the present rate of investment can be maintained—as indeed it has been during the past two difficult years of recession — Spain should have a surplus in chemical production by 1985, the year usually given for full Spanish membership in the Common Market.

The faithful have recently added a new argument to their optimistic litany, pointing out that no major crises have developed as a consequence of General Franco's death, as if the only threat to continued chemical growth and health was civil war. Finally, mention is traditionally made of the sustained and apparently enthusiastic participation of the multinationals in the sector. Spaniards have great respect for the wisdom of foreigners, even though they pity and distrust them.

The growing number of doomsayers within the industry—most of them recent defectors from the optimists' camp—are ready to grant that the track record to date is impressive, and that under normal circumstances, prospects for further growth would be bright on the strength of the facts given above. But these facts shrink in importance within the larger context of political and economic uncertainty at home and disturbing trends in the world chemical industry and market.

Spanish chemical makers, accustomed to healthy profits and an industry-wide annual growth rate of 18 per cent., have at last come to terms with the sobering evidence of two solid years of recession, inflation, steeply rising feedstock, energy and labour costs and waning demand. They suffer from a creeping realisation that the boom years owed less to their *own industrial and entrepreneurial* merits than to unprecedented demand for goods from a nation growing suddenly—*if briefly*—rich from tourism.

The chemical industry that was slapped together during the halcyon decade which OPEC ended, was built from the rafters down. The state holding companies, ERT, CEPSA and a few others built some early basc and intermediate chemical plants, but most business was done nearer the consumer end. The Government was always prepared to impose tariff barriers to protect new Spanish production facilities, but in no systematic way discouraged the profligacy of the importers who, to a far greater degree than the manufacturers, met the growing demand for chemicals.

By the time the industry got around to giving serious attention to its foundations, the boom was over. Oil prices were up, demand down, the balance of payments diving into the red, the Franco regime senile and moribund. Strikes and wage inflation reappeared in Spain after an absence of 40 years. An increasingly pollution-conscious populace began to make itself heard and effectively checked the building of several necessary but noisome installations.

The pauperised public sector now has neither the political authority nor the economic wherewithal to restore the chemical industry's confidence in itself and its future. The generous use of protectionism, subsidies and other such stimulants and safety devices which passed as economic policy during the prosperous years is regretted by the industry in its current confessional mood. Industrialists now admit that there are no workable long-term substitutes for productivity and rational investment policy.

Apart from Enpetrol's 375,000 ton/year ethylene plant at Tarragona, few new productive units are scheduled to start up in 1977. The next wave isn't due for service until the end of this decade, and the pessimists are naturally banking on cancellations.

A dispassionate observer of the Spanish chemical scene — if any exist — would probably hedge his bets. It is a fact that once it got started, Spain's chemical industry grew faster than any in Europe, and tls mistakes were made and defe left uncorrected. It was indo unfortunate that a world ec omic crisis and a domes political one should appear ju as plans were being laid to s the sector on a sounder foc ing through investment in hig cost, low-profit base chemic units. Spain's race to me European chemical productio and consumption levels ma slow to a crawl, but if the ground is to be covered at a such investments are necessar At today's prices, Spain's indu trialists must draw ever peseta's worth of added val from raw materials, wheth domestic (potash, salt an sulphur) or imports (everythir else). They must cut the chem cal trade gap at all costs.

It has taken two years of di appearing profits, declining pr duction and mounting politic uncertainties to bring on today crisis of confidence in th Spanish chemical industry. Th year, with another oil pri hike, no economic recovery i sight and elections just aroun the corner, may be a critica one. Yet whether it survive with its ambitions and project intact may well depend less o outside factors than on whethe it keeps its nerve.

Dwight Porte

Bleak outlook for steel industry

DY IN Spain's steel in- ris predicting recovery for -the hope is that this year not be excessively worse 976. The prevailing gloom by the country's major sers stems from depressed ption at home and sh export market.

nish steel production is t in a downward spiral he industry has not regis- a production increase 1974. Steel output last was some 11m. tonnes, 500,000 tonnes from the level. This year Spain is led to narrow the gap in ction drop-off, but only by a margin.

l's major outlets—con- ion, shipbuilding, domestic nces and, to a lesser ex- automobile manufactur- re practically stagnant. quently Spain's steel mills could have produced tons last year, are run- t an average 80 per cent. y.

country's two major pro- , Altos Hornos de Vizcaya) and Empress Nacional rgica (Ensidesa), are in recession. Last year took a $3.7m. cut in net e, a minor setback com- to Ensidesa's $34m.

One of the main reasons IV's relatively better per- nce is the higher world d for flat products, of AHV is a prime pro- Ensidesa relies more shed products, which find uced market. Ensidesa, is owned by the National te of Industry (INI), so having management es.

he two major companies (25 per cent. U.S. Steel) is the only one with a expansion programme. subsidiary Altos Hornos diterráneo (15 per cent. 27 per cent., U.S. Steel) ently putting Stage I of gunto integral steel mill h production tests. Altos del Mediterráneo ex- o have the $250m. cold mill on stream later this which could turn out to be ad news for Ensidesa.

l's new plant located a few from Sagunto is now be- pplied by Ensidesa. Once Hornos del Mediterráneo up it looks like Sagunto moving in strong on that Sources at AHV confide ey expect Ford to support o I.

gress

ite the recession AHV is ahead with plans to put o II-A (hot rolling mill) -B (blast furnaces) on by 1985. The total esti- cost is $2.3bn. Sagunto will add 4m. tonnes p.a. IV's current 2m. tpa

n final expansion is com- by 1990, Sagunto III will ntal AHV production up tonnes p.a., 8m. tons Ensidesa's present pro- l level. The total cost of gunto project is nearly the largest single invest- in Spain's industrial

no government plan in to reactivate domestic l. Ensidesa is looking the Pyrenees for mar- At present Ensidesa 20 per cent. of its production. Major mar- are the U.S., Brazil, JSSR, Poland (with Ensidesa has an exchange ent for Polish coking West Germany, Italy and Ensidesa is now negotiat- h Brazil and the USSR up exports, now at tonnes per annum and tonnes per annum ively.

rts are a prime objective in's steel industry in to maintain the present employment. The last the Spanish economy is a round of wildcat involving the country's steel workers. Last year's its cost the steel industry a lot of money in lost production and man-hours. Any hint of lay-offs now would be likely to touch off a disastrous wave of labour conflict.

Nevertheless the export market does not look promising. The Common Market, which had a 6.9 per cent. growth in steel production last year, is now studying measures to reduce Spanish steel imports. Competition from Japan is stiff and the world economy in general is not exactly enjoying a boom period.

The earliest forecast for Spanish entry in the EEC is 1980, and even this is considered highly optimistic. Tariffs are likely to remain a barrier to Spanish exports well into the next decade and Spanish steel industry sources are saying that they want no part of "poor sister" agreements with the EEC—full membership or not.

The EEC, which absorbs most of AHV's exports and nearly a quarter of Ensidesa's, is in a position to put the Spanish steel industry's back to the wall.

A case in point is Britain's anti-dumping action taken against imports of Spanish stainless steel. In November Britain imposed a 10 per cent. surcharge on Spanish stainless steel imports alleging that it was being offered below U.K. prices. Since Britain is not obliged to take its anti-dumping claims to the Common Market until next July, the British Independent Steel Producers Association pressured Parliament to impose the surcharge, which affects some 1,500 tonnes per annum of stainless steel imports.

Spanish sources say that the charges are true: they were exporting at approximately 5 per cent. below British prices. But they also maintain that Japan is shipping stainless steel to Britain at 30 per cent. below U.K. prices. No anti-dumping measures have been applied against Japan. In addition more that one angry Spanish steel manufacturer points out that the British Steel Corporation now has an order to deliver 3,000 tons of wire rod to a Spanish customer at £122 per ton Bilbao. The British list price for wire rod is £165 per ton.

Dumping

The Department of Commerce is scheduled to hand down a ruling on this anti-dumping case in February. If Britain's charge is upheld, the surcharge accumulated up to that date is forfeited. If Spain wins the case, the money is refunded. In either instance, it is revealing of the defenceless position of Spain's steel industry.

Both Ensidesa and AHV (although the latter is privately-owned) are confident that the Government will bail them out if the steel industry begins to founder. AHV, in fact, is cautiously optimistic about the chances for a slight flurry of recovery toward the latter half of this year, although this is by no means expected to initiate a trend. AHV is thankful that the Sagunto project was approved in 1972, before the oil crisis had a chance to provoke second thoughts.

Sagunto will also enable Spain to help offset its steel import bill, which last year amounted to $705m. (3.2m. tons).

Heavy imports are in large measure the result of a highly unpopular government order in 1974 to reduce steel exports by 1m. tonnes to fill domestic demand. Exports have still not recovered the pre-1974 level.

Spain is nevertheless now making an effort to bring its steel prices up to EEC levels. The 1975 trade deficit for the 10-month January-October period was 95,000 tons ($244,000). For the same period last year imports outweighed exports by 11,000 tons ($109,000). In proportion, the reduced deficit in tonnage outstrips the negative dollar balance, which indicates that Spanish steel prices are on the rise.

Jules Stewart

INI role under attack

THE Instituto Nacional de Industria, better known simply as INI is the giant of Spanish industry, or as some of its detractors would call it, the octopus. As the holding company for the State's participation in industry, it has grown massively since its foundation in 1941 when its role was to assist in the country's reconstruction after the civil war. It now provides about 10 per cent. of the country's gross industrial product, employs some 4 per cent. of the active workforce and claims to be 20th in Europe in terms of sales volume.

Amid the complexities of its direct and indirect participations it is not always easy to unscramble exactly where INI is, or in which areas and companies it has the controlling interest, but at the end of 1975 it was officially stated to have a direct participation in 59 industrial companies, of which 16 were wholly owned, and indirect stakes in a further 200. This obviously provides the organisation with considerable influence in the performance of the industrial sector and can reflect closely the overall economic and sometimes political policies of the Government.

Dominance

This becomes more important when it is seen that INI has a dominant weight in particular sectors. For example, it controls 33 per cent. of the country's oil-refining capacity, 15 per cent. of total electricity output, 45 per cent. of steel output, and 60 per cent. of laminates, 57 per cent. of aluminium and more than 90 per cent. of all shipbuilding. Apart from this impressive list INI has important holdings in car manufacture, air transport, aircraft manufacture, sea transport, engineering, data processing, chemicals, food processing and distribution, tourism and is even into handicrafts. Controlling such a monolithic operation and deciding especially on priorities for investment offers a major challenge to management which at the senior levels of INI has been through several changes in the past three years. The justification for the present organisation is part historical, part current. At first INI was supposed to draw together the basic resources of a shattered nation and lay the framework for some industrial recovery.

Especially it was supposed to aid those areas which were unattractive to private capital. This to an extent it did and then, according to INI, retired gracefully into the background during the 1960s when the boom had been solidly established and foreign capital was flowing in.

Occasionally it was forced to intervene to help the rare lame duck—part of the coal mining industry and a steel producing company, for example—or to assist in the restructuring of certain sectors such as foreign investment, tourism and the promotion of Spanish handicraft skills. Then in 1970, INI says, it developed a new character that was dynamically oriented towards solving industry's major difficulties and towards such problems as regional imbalance.

During the present economic and industrial crisis the Government sees a further key role for INI. That is as the stabilising factor which can help to check cyclical movements.

During 1975, and to an extent last year, INI management has stressed that, while the private sector was getting cold feet about investment, INI maintained its programmes "thereby contributing to maintenance of economic activity." Such public back-slapping does not always go down well in the private sector to which INI sees itself as the bridge, moulding together the two forms of enterprise.

One of the major reasons for hostility towards INI is that it has expanded to such an extent that it now actively competes in some sectors with private enterprise and on terms that are described as blatantly unfair. First, there is the question of finance. Much of INI's development has been achieved through plentiful supplies of cheap credit provided through what is called the "privileged circuits," whereby the savings banks, for example, and other credit entities are obliged to pick up INI paper at very cheap rates. In these matters INI always has preference, while the privately owned company may be pleading with its bank for funds. Second, some private companies have complained that because INI is the State it naturally gets preference in permission from the Ministry of Industry for a number of requirements.

The rules applied to companies that have to make a profit to survive might not always apply to a company controlled by INI. Quite apart from this argument there is a body of opinion that, should it be represented in the Government formed after the general elections, will strongly advocate a splitting up of INI's functions and finding more public ways of vetting the performance of individual companies. While there are some sectors where State subsidies are obviously socially necessary, such as the maintenance of the coal-mining industry, there are others which would bear much closer examination.

In this context INI could obviously play a vital role in what is being increasingly described as the urgent need to restructure Spanish industry because of the collapse of the economic model that brought such rapid growth from 1959 to 1973. What some of INI's present opponents seem to be saying is not that they are opposed to the degree of State intervention but to the direction and control of it, essentially a political matter depending first on the Minister of Industry and ultimately on the Government.

Changes

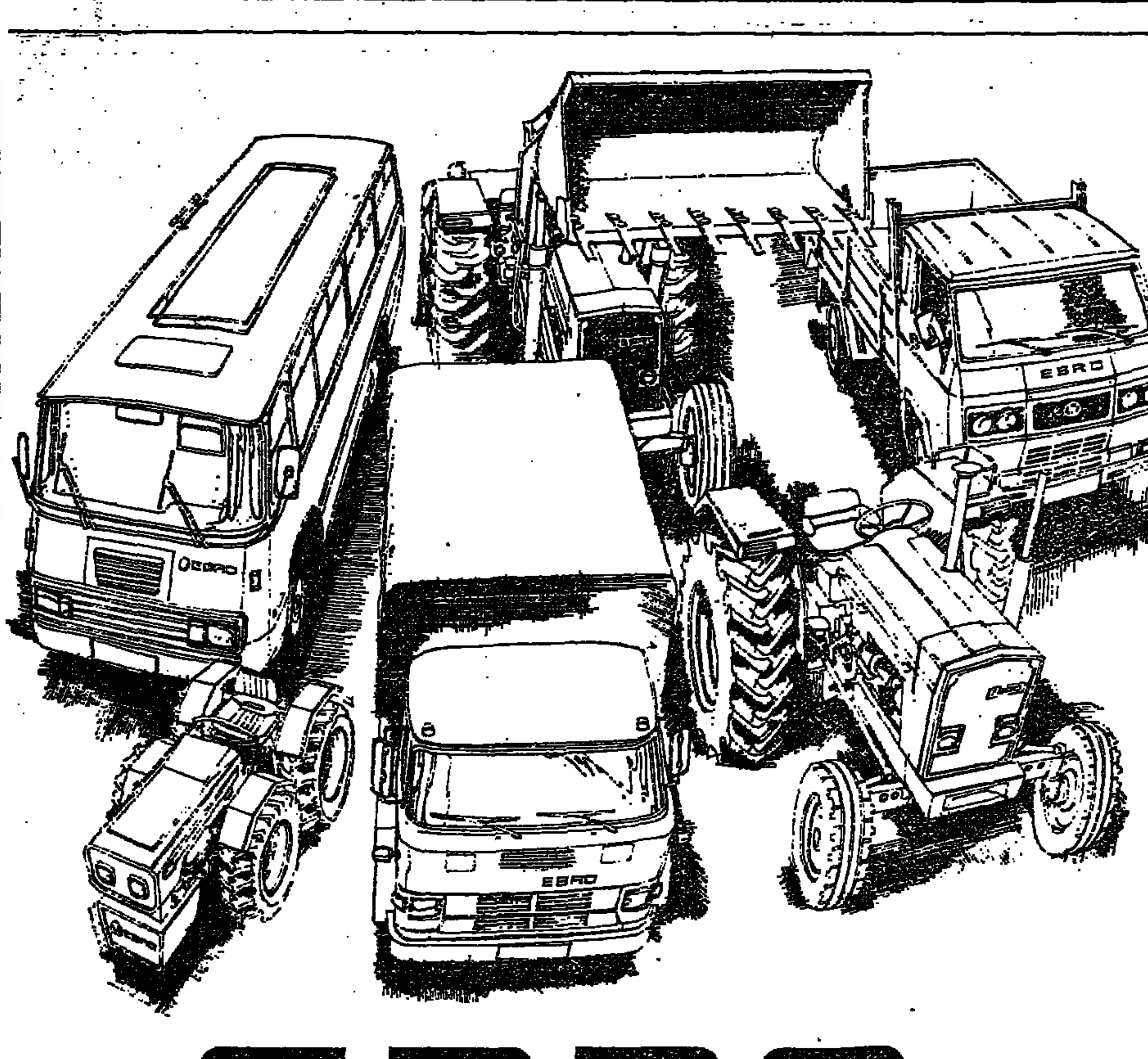
Indeed this is recognised in parts of INI's present management, where it is admitted that policy objectives have in essence remained little changed since the death of General Franco, and as a result large sums of money will be pointlessly wasted propping up companies for reasons of political expediency when they should be phased out or substantially slimmed down.

During the four-year period 1976-79 INI has a planned investment programme worth some £4.4bn. to be spread through its companies, although with heavy concentrations in some sectors.

More than a quarter of the total is scheduled to go to the electric power sector. This will include the construction of conventionally-fired power stations and the strong development of nuclear power, which will take up an increasing proportion of funds in the years ahead. In manufacturing industry SEAT, the country's biggest car builder together with the seriously ailing shipbuilding companies are expected to absorb the lion's share of the funds, while some 13 per cent. of the budget total will go to partially renewing the fleet of the State airline Iberia.

While the overall total may seem massive in terms of Spain's investment potential up to the end of 1979 there may not be much of it that can be easily diverted to other purposes over the short-term. Thus although INI is sure to become a more public topic of discussion under a democratic system and will surely face a searching re-examination by whatever Government is elected, the reformers and theorists are also likely to find that changing its direction will be difficult and that the organisation now has a very definite momentum of its own. Like many other much discussed reforms in Spain it is going to need a lot of time and care.

R.M.



WALL STREET + OVERSEAS MARKETS +FOREIGN EXCHANGES

Awaiting Carter's planning: up 1.17

BY OUR WALL STREET CORRESPONDENT

SMALL GAINS were in the majority on Wall Street to-day, when investors appeared to be waiting for a clearer picture of U.S. inflation prospects, interest rates and the economy in general.

The Dow Jones Industrial Average gained another 1.17 to 963.60 but the NYSE All Common Index shed 1 cent to $56.14, while rises led falls by 788-to-676. Trading volume further decreased 1.04m. shares to 22.69m.

Light early buying followed the report that the Carter Administration's planning of economic stimulation is likely to include an increase in the U.S. Investment Tax Credit. Further, the Administration is said to be considering a Tax Rebate at the upper end of previous estimates.

Also in the economic background, the U.S. Money Supply declined in the latest reporting week after a surge in the previous week. The decline relieves concern that the U.S. Federal Reserve might tighten credit policy to hold down the money supply.

Mild buying also followed the report of a sharp 6.6 per cent. gain in New Factory Orders for Durable Goods in December. The report is subject to revision.

Milgo Electronics were lifted $6 to $27—*Applied Digital* revised its offer for Milgo, while Britain's **Racal Electronics** bid $26 for each Common share.

But **Monsanto** dropped $3½ to $70½ on lower fourth quarter profits.

Atlantic Richfield firmed $½ to $55 on improved fourth quarter earnings.

THE AMERICAN SE Market-Value Index moved up 0.32 to 112.04, while advancing issues outnumbered declines by 353-to-304.

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Texaco	270,900	28½	−½
Milgo Electronic	266,100	27½	+6
Pacific Gas Elect.	185,100	24½	−½
Gulf Oil	177,900	30½	−½
Westinghouse Elect.	173,900	17½	−½
Intnl. Tel and Tel.	170,000	34½	−½
Kresge S.S.	165,400	36½	−½
Amer. Tel. and Tel.	162,800	62½	+½
Chrysler	156,700	21	−½
Gen. Tel and Elec.	156,400	31½	−½

OTHER MARKETS

Canada again mixed

Canadian Stock Markets remained mixed in moderate trading yesterday, although sharp gains among Oils and Metals pushed the Toronto Composite Index up two points.

Golds, Utilities, Banks and Papers were all lower.

Alcan Aluminum climbed $½ to $24½ on higher fourth-quarter earnings. **Massey-Ferguson** also rallied $½ to $20½.

PARIS—Generally firmer in active trading, helped by buying for the new Account and optimism that the December French retail price index will show an improvement over November.

Prices were little affected by the prospect of strikes this week by railway workers and civil servants.

American shares hardened. *Germans and Canadians were steady.* Golds were irregular, while International Oils and Coppers were weaker.

BRUSSELS—Narrowly irregular after very thin business.

Societe Generale improved Frs.15 to 2,240 despite confirmation of lower profits and dividend for the current year.

Steels ended *lower* with Cockerill off Frs.12 to 548, but slightly higher Non-Ferrous Metals had **Hoboken** up Frs.20 at 3,200. **Gaevert** rose Frs.20 to 1,220 among firmer Chemicals. In easier Oils, **Petrofina** lost Frs.30 to 4,380.

U.S. stocks gained among mixed Internationals. In German issues, Bayer gained Frs.30 to 2,070, while **Paribas** rose Frs.20 to 1,100 in firm French stocks. In easier South African Golds, **Vaal Reefs** slipped Frs.6 to 430.

AMSTERDAM—Narrowly mixed in thin trading. Dutch Internationals were mostly a little firmer, but Banks eased. Transports and *insurances were mixed.*

State Loans firmed. The Fls.150m. Estel Loan was allotted in full. Dealers expect no problems with Gasunie's Fls.150m. issue announced yesterday.

OSLO — Industrials slightly easier but Bankings and Shippings firmer. Insurances quiet.

VIENNA—Irregular. Industrials little changed.

COPENHAGEN—Sharply lower in active dealings.

GERMANY—Market mixed to lower on lack of buying interest.

Among Motors, BMW gained DM1.50 to 226.50, but *Daimler-Benz lost DM0.70 to 345.30.* Electricals had Siemens down DM2.30 at 252.70, but in Engineerings, GHH rose DM2 to 171.

In Stores, Karstadt put on DM1.80 to 343.80, but **Schering** added DM1 at 288 on higher 1976 *group sales.*

Public Authority Bonds were between DM0.30 higher and DM0.40 lower. Regulating Authorities bought DM4.9m. nominal of stock. Mark foreign loans were also mixed.

SWITZERLAND — Firmer in moderately active trade.

Insurances, Industrials and Chemicals firmed, while other sectors were narrowly mixed.

Schweizer-Allgemeine jumped Sw.Frs.415 to Sw.Frs.1,925, after Sw.Frs.1,950, on the bid from **Swiss Re-insurance. National Versicherung** rose Sw.Frs.150 to Sw.Frs.5,100 in sympathy.

Bally Bearer fell Sw.Frs.130 to Sw.Frs.1,250, but the Registered rose Sw.Frs.50 to Sw.Frs.1,150 last week. **Syndikats AG** forced Bally's Board to resign at an extraordinary meeting after having acquired a majority of the Registered shares.

MILAN—Mixed, after late profit-taking cut earlier gains.

Fiat eased L35 and Pirelli Spa L30.

Insurances were firmer, but Medio-Banca declined Lire1,200 in

NEW YORK, Jan. 24.

Banks. Bonds were quietly steady.

JOHANNESBURG—Gold shares were quietly easier in a market dominated by political factors and also influenced by the imminent IMF auction.

South Roode gained 3 cents to R105 after rejection of the scheme proposed by **Randfontein.**

Financial Minings were lower on balance.

Coppers were higher, with Messina up 3 cents at R1.15, after R3.25, *following the Rhodesian* rejection of the British settlement proposals.

Platinums were little changed, while other Minerals eased.

Industrials were mixed in moderately active trading.

HONG KONG—*Slightly easier* in idle trading.

Hong Kong Land lost 10 cents to $HK7.70, **Wheelock "A"** 2½ cents to $HK2.675, while **China** Light lost 20 cents to $HK19.20, and **Hong Kong and Kowloon** Wharf also 20 cents to *$HK18.30.*

TOKYO—Higher in fairly active trading, with profit-taking well absorbed. Volume 310m. shares.

Nippon Electric rose Y6 to Y313 and **Toyo Kogyo** Y5 to Y287, while **Eidai,** moved up Y19 to Y275 on expectations of better results.

Matsushita Electric, however, lost Y17 to Y701, and **Toyota Motor** Y10 to Y1,260, while some other Blue Chips also lost ground on profit-taking.

AUSTRALIA—Prices fell over a broad front, despite strong selective support for key situation stocks.

BH South rose 5 cents to $A1.10, following higher profits from **Alcoa Australia** in which it has a *stake.* **Comalco** put on 5 cents to $A2.40 and **North BH** 2 cents to $A1.12.

Hamersley gained 7 cents to $A2.77 on its higher earnings.

Utah gave way 10 cents to $A4.65, **CRA** 8 cents to $A2.90, and **AAR** 8 cents to 92 cents. **Renison** were up 6 cents to $A8.46 and **Central Norseman** 10 cents to $A2.50.

BHP dropped 18 cents to $A7.34, **National Bank** 10 cents to $A2.50, and **ANZ Bank** 9 cents to $A3.06.

Sterling firm

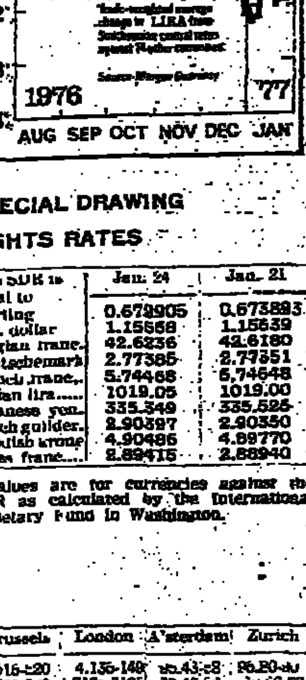
Sterling remained steady in fairly quiet trading in the foreign exchange market yesterday. News that the U.K. is to borrow a further $1.5bn. by way of a seven-year Euroloan, helped to sustain demand for the pound, while the cut in Bank of England Minimum Lending Rate on Friday appeared to have no adverse effect. Market sources suggested that the authorities took in more foreign exchange for the reserves to prevent too sharp an appreciation by sterling.

The pound opened at $1.7170-1.7175 in terms of the U.S. dollar, and eased *slightly to $1.7165-7170,* before rising slowly to a best level of $1.7185-1.7195 in the afternoon following the opening of the New York market. Sterling closed at $1.7183-1.7188, a gain of 20½ points from Friday. Its trade-weighted average depreciation since the Washington Currency Agreement of December 1971, as calculated by the Bank of England, narrowed to 42.6 per cent. from 42.9 per cent., after standing at 42.9 per cent. at noon and in early *dealings.*

Discounts on forward sterling continued to narrow, with the three-month pound closing at 3.25 cents discount against the dollar, compared with 3.37 cents discount on Friday.

The dollar improved against most other major currencies, and its trade-weighted depreciation since the Washington Agreement, as calculated by Morgan Guaranty of New York, narrowed to 1.16 per cent. from 1.20 per cent.

Gold gained $¾ to $132¼-133 in quiet trading ahead of tomorrow's gold auction by the International Monetary Fund. The Krugerrand's premium over its gold content narrowed *to 3.11 per cent.* from 3.51 per cent. for domestic and international delivery.



SPECIAL DRAWING RIGHTS RATES

One SDR is equal to	Jan. 24	Jan. 21
Sterling	0.672905	0.673893
U.S. dollar	1.15568	1.15539
Belgian franc	42.6236	42.6180
Deutschemark	2.77385	2.77351
French franc	5.74468	5.74648
Italian lira	1019.05	1019.00
Japanese yen	335.349	335.525
Dutch guilder	2.90397	2.90350
Swedish krone	4.90486	4.89770
Swiss franc	2.89415	2.88940

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

EXCHANGE CROSS-RATES

Jan. 24	Frankfurt	New York	Paris	Brussels	London	A'sterdam	Zurich
Fr'nkfu't	—	2.413-414	48.43-53	6.616-620	4.135-148	95.43-58	96.20-40
N. York	41.28-22	—	20.06-07	2.598-702	1.7185-7195	39.47-50	39.66-68
Paris	206.275-275	4.9662-9782	—	13.470-495	8.5235-5465	197.7-98.1	132.225-625
Brussels	15.55-59	38.90-94	7.42-44	—	65.34-47	14.67-71	14.71-75
London	4.15½-16½	1.7185-92	8.56-57	65.70-85	—	4.34½-35½	4.32½-33½
Am'rd'm	104.685-735	2.5117-42	50.565-605	6.8130-85	4.3145-95	—	100.325-375
Zurich	104.12-27	2.5177-87	50.52-66	6.786-7975	4.3265-3300	99.67-68	—

U.S. $ in Montreal. U.S. $=101.21-22 Canadian cents.
Canadian $ in New York. C$=98.82-84 U.S. cents. U.S. $ in Milan 881.70-882.0.
Sterling in Milan 1514.90-1515.20.

EURO-CURRENCY INTEREST RATES*

Jan. 24	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German mark	Swiss franc
†Short term	14-14½	4½-4¾	7½-8½	5¾-6¼	4⅜-4½	½-⅝
7 days notice	14-14½	4⅝-4⅞	7½-8½	5¾-6¼	4⅜-4½	1½-1⅝
Month	13¾-14¼	4¾-5	7⅞-8⅛	6⅛-6⅝	4⅜-4½	1-1¼
Three months	12⅞-13⅜	5-5⅛	7⅞-8⅛	6⅛-6⅝	4½-4⅝	1¼-1⅜
Six months	12⅜-12⅞	5⅜-5⅞	7⅞-8⅛	6⅛-6⅝	4¾-4⅞	1¾-1⅞
One year	12½-13	5⅞-6⅛	8¼-8½	6¼-6¾	5-5⅛	2⅛-2⅜

Euro-French deposit rate: two-day 10-10½ per cent.; seven-day 10-10½ per cent.; one-month 11-11½ per cent.; three-month 12-12½ per cent.; six-month 12¾-12⅞ per cent.; one year 12¾-12⅞ per cent.

Longer-term Eurodollar deposits: two years 6⅞-6⅞ per cent.; three years 6¾-7⅛ per cent.; four years 7⅛-7⅝ per cent.; five years 7⅛-7⅝ per cent.

The following rates were quoted for London normal certificates of deposit: one-month 4 15/16-4 15/16 per cent.; three-month 5-5¼ per cent.; six-month 5¼-5½ per cent.; one year 5 15/16-6 1/16 per cent.

* Rates are nominal closing rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

Indices

NEW YORK—DOW JONES

	Jan. 24	Jan. 21	Jan. 20	Jan. 19	Jan. 18	Jan. 17	1976-77 High	1976-77 Low	Since compilation High	Since compilation Low
Industrial	963.60	962.43	959.03	968.67	962.43	967.15	1014.79 (21/9)	858.71 (2/1)	1051.70 (11/1/73)	41.22 (2/7/32)
Home B'nds*	91.78	91.93	91.95	91.81	92.01	92.4	93.37 (6/1)	85.68 (15/7)	—	—
Transport	251.64	250.61	251.56	255.30	251.82	252.81	257.52 (3/1)	175.69 (2/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	110.76	109.57	109.56	109.77	109.61	108.45	110.78 (24/1)	84.9 (26/5)	165.52 (20/4/65)	10.58 (28/4/42)
Trading vol. 000's	22,690	23,920	26,520	27,120	24,380	21,050	—	—	—	—

* Basis of index changed from July 1.

	Jan. 21	Jan. 14	Jan. 7	Year ago (approx.)
Ind. div. yield %	4.27	4.21	4.16	3.92

STANDARDS AND POORS

	Jan. 24	Jan. 21	Jan. 20	Jan. 19	Jan. 18	Jan. 17	1976-77 High	1976-77 Low	Since compilation High	Since compilation Low
*Industrials	114.35	114.49	114.02	115.15	114.55	115.05	120.89 (21/9)	101.64 (2/1)	134.54 (11/1/73)	3.52 (30/6/32)
†Composite	105.25	105.32	102.97	103.85	103.51	103.73	107.83 (21/9)	90.90 (2/1)	120.44 (11/1/73)	4.40 (1/6/32)

	Jan. 19	Jan. 12	Jan. 5	Year ago (approx.)
Ind. div. yield %	3.77	3.77	3.71	3.42
Ind. P/E Ratio	11.24	11.21	11.36	13.55
Long Govt. Bond yield	5.91	5.81	5.57	5.81

N.Y.S.E. ALL COMMON

Jan. 24	Jan. 21	Jan. 20	Jan. 19	1976-77 High	1976-77 Low
56.14	56.15	55.95	56.66	57.88 (21/12)	57.08 (31/1/76)

Rises and Falls	Jan. 24
Issues Traded—1,904	Up—788
Down—676	Same—440
New Highs—134	New Lows—11

	Jan. 24	Jan. 21	Jan. 20	Jan. 19	1976-77 High	1976-77 Low
MONTREAL Industrial	176.90	175.89	175.32	175.62	207.55 (19/5)	161.54 (20/11)
MONTREAL Combined	176.51	175.66	175.38	175.46	199.78 (20/5)	161.15 (30/11)
TORONTO Composite	1000.6	998.6	984.07	998.39	1106.4 (12/7/76)	960.1 (30/11/76)
JOHANNESBURG Gold	162.5	165.4	—	165.7	226.7 (12/5)	115.1 (27/8)
JOHANNESBURG Industrials	185.5	166.1	185.8	185.9	215.0 (21/5)	175.6 (30/11)

	Jan. 24	Pre-vious	1976-77 High	1976-77 Low
Australia (a)	439.94	441.19	[illegible]	[illegible]
Belgium (b)	95.93	95.95	[illegible]	[illegible]
Denmark (c)	93.63	100.07	[illegible]	[illegible]
France (e)	57.4	57.0	[illegible]	[illegible]
Germany (f)	725.5	724.5	821.1	[illegible]
Holland (g)	85.0	85.5	[illegible]	[illegible]
Hongkong (h)	441.21	442.55	[illegible]	[illegible]
Italy (i)	71.65	71.62	[illegible]	[illegible]
Japan (m)	322.46	323.44	[illegible]	[illegible]
Singapore (n)	255.82	255.12	[illegible]	[illegible]
Spain (p)	—	96.79	[illegible]	[illegible]
Sweden (q)	375.28	377.49	[illegible]	[illegible]
Switz'rl'd (r)	290.2	289.1	[illegible]	[illegible]

Indices and base dates (all base values 100 except NYSE All Common—50, Standards and Poors—10 and Toronto 300-1,000, the last-named based on 1975). (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31/7/64. (i) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/76. (q) Stockholm Industrial 1/1/58. (r) Swiss Bank Corp. 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds. 40 Utilities, 40 Finance and 20 Transport. (v) Closed.

OVERSEAS SHARE INFORMATION

Investment premium based on $2.30 per £1 — 106¼% (108%).

NEW YORK

[illegible]

CANADA

[illegible]

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. Φ Frs.500 denom. unless otherwise stated. ¦ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. *a* Florins. *b* Shillings. *c* Cents. *d* Dividend after pending rights and/or scrip issue. *e* Per share. *f* Francs. *g* Gross div. %. *h* Assumed dividend after scrip and/or rights issue. *k* After local taxes. *m* % tax free. *n* Francs: including Unilac div. *p* Nom. *q* Share split. *s* Div. and yield exclude special payment. *t* Indicated div. *u* Unofficial trading. *v* Minority holders *only.* *v* Merger pending. * Asked † Bid. § Traded. ¶ Seller. *z* Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa ex all. Δ Interim since increased.

GERMANY ◆

Jan. 24	Prices Dm.	+ or —	Div. %	Yld. %
A.E.G.	80.1	+0.1	—	—
Allianz Versich.	411	+0.5	18	2.2
B.M.W.	226.5	+1.5	18	4.0
B.A.S.F.	154.8	+0.6	14	4.5
Bayer	134.3	−0.2	14	5.2
Bayer Hypo.	275	...	20	3.7
Bayer Vereinsbk.	275	−2	20	3.1

[illegible]

MILAN

Jan. 24	Price Lire	+ or —	Div. Lire	Yld. %
Assitalia Priv.	440	−28	—	—
ANIC	425	−4	—	—
Ausonia Fin.	2,530	−25	120	5.6
Bastogi	870	−10	—	—
Breda	1,840	−60	105	5.8
Burgo	8,100	[illegible]	—	—
Cantoni	3,248	−2	—	—

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

PARIS

[illegible]

AMSTERDAM

[illegible]

AUSTRALIA

Jan. 24	Aust. $	+ or —
ACMIL	†0.61	[illegible]
Acrow Australia	†0.65	[illegible]
Adelaide Brighton Cement	†1.25xd	[illegible]
Allied Mntg-Trdg Indus.	†1.50	[illegible]
Ampol Exploration	†1.05	[illegible]
Ampol Petroleum	†0.61	[illegible]

[illegible]

TOKYO

[illegible]

SWITZERLAND

[illegible]

STOCKHOLM

[illegible]

COPENHAGEN

[illegible]

OSLO

[illegible]

VIENNA

[illegible]

GOLD MARKET

[illegible]

FOREIGN EXCHANGES

[illegible]

OTHER MARKETS

[illegible]

FORWARD RATES

[illegible]

BRAZIL

[illegible]

JOHANNESBURG

[illegible]

SPAIN

[illegible]

FARMING AND RAW MATERIALS

Pricing plea by sugar cane group

By Canute James

KINGSTON, Jan. 24.

MR. PERCIVAL J. PATTERSON, Jamaica's Foreign Affairs and Trade Minister, and one of the leading spokesmen on sugar negotiations for African, Caribbean and Pacific producers, has said here that the ACP group is seeking to get the EEC to agree this year's negotiated prices for cane sugar exports retroactive to January 1.

Speaking before leaving for a meeting of the ACP group in Barbados, the Jamaican Minister said the request for retroactive payment was one of the principles on which the ACP exporters would be basing their negotiations with the EEC for a 1976-77 delivery price.

Mr. Patterson said the ACP group would also be seeking an increase from the EEC in the basic price for cane sugar imports, and that the third basis of negotiations would be a request that the EEC withdraws a storage levy which it plans to introduce from July 1.

The Minister also announced that the group of Latin American and Caribbean sugar exporting countries (GLACSEC), of which Jamaica is a founder member, is in the process of working out a joint marketing approach.

Meanwhile the British Sugar Corporation said the U.K. beet crop for 1976-77 will definitely be within the range, and hopefully near the top end, of its announced estimate of 675,000-700,000 tonnes white value.

New rubber pact meeting arranged

GENEVA, Jan. 24.

BINDING NATURAL rubber producers and users, who concluded a week's initial talks on stabilising the world market on Friday, are to meet again in April or May to discuss specific proposals for an international agreement.

A report adopted by delegates from 55 States, meeting last week under the auspices of the United Nations Conference on Trade and Development (UNCTAD), said measures to reduce excessive price volatility and to achieve stable conditions should be in the interests of both producers and consumers.

The document also described price stabilisation agreement reached last November by rubber producers Malaysia, Indonesia, Thailand, Sri Lanka and Singapore as an important basis for the consideration of broader international arrangements.

U.K. pig subsidy payment illegal, EEC claims

BY ROBIN REEVES

BRUSSELS, Jan. 24.

MR. JOHN SILKIN, the Minister of Agriculture, is not entitled, legally to introduce the 50p a score (20 lb) pig subsidy on February 1 as announced, EEC officials insisted here to-day.

They pointed out that under the relevant article of the Treaty of Rome (Article 92), once the Commission has decided to open procedures against a member Government for a possible breach of EEC competition rules, "the member State concerned shall not put its proposed measures into effect until this procedure has resulted in a final decision."

The opening of formal proceedings was announced last Friday and the Commission expects to put the finishing touches to a letter addressed to the British Government, explaining why it considers the proposed pig subsidy to be contrary to EEC rules.

Tough line

Mr. Silkin will then be given a certain length of time in which to reply, after which the Commission will give its final ruling. The Commission resorts to the European Court of Justice only in the event of a Government not complying with its final judgment.

Officials privately admit that they have no means of preventing Mr. Silkin going ahead and paying the subsidy from February 1 if he insists, but they stress that, politically such a move will compound the error and inevitably encourage the Commission and other EEC Farm Ministers to take a tough line with Mr. Silkin in the forthcoming Brussels price negotiations.

Mr. Silkin's reasons for acting —the depressed state of the pig market and the method of calculating the monetary compensatory amounts on imports—are not regarded here as sufficient reason for breaking the rules. A more communautaire approach could have been adopted, they argue.

As it happens, the depressed state of the EEC pig market generally has led the Commission's market management committee for pigmeat, independently, to recommend an export subsidy on pig carcases, worth 15 per cent. of their value. This is expected to be confirmed formally later this week.

The British subsidy, being now the subject of formal Brussels legal procedures, is not expected to loom large at to-morrow's meeting between Mr. Silkin and Mr. Finn Gundelach, the new Brussels Commissioner for Agriculture.

John Cherrington, Agriculture Correspondent writes: The Brussels argument that the special pig subsidy is illegal is based on the premise that it is against the rules of competition and under which the CAP operates, and also that other pig farmers in Europe are suffering too.

Unfair

The British opinion is that the operation of the pigmeat MCAs does give a most unfair advantage to certain countries supplying Britain. This amounts at the moment to £270 per tonne on Danish bacon and even more on ham.

Mr. Silkin has tried hard since his appointment last September to have this anomalous situation altered, and there is every possibility, should this be done to British satisfaction, that the temporary subsidy would be dropped.

● Britain's £1m.-a-week subsidy to pig farmers could irk other EEC countries gave similar national aids to agricultural interests, help wreck the Common Market's agricultural policy, said Mr. Knut Skouby, managing director of Danish Agricultural Producers yesterday. He was speaking at the launching of a £300,000 campaign to boost the Danish share of the British market beyond the present 43 per cent.

● Four new outbreaks of Swine Vesicular Disease were confirmed yesterday, the Ministry of Agriculture announced.

One outbreak was at Eccleshill, Blackburn, Lancashire, two were at Weeton with Plumpton, Fylde, Lancashire, and the fourth was at Whiston Knowsley, Merseyside. All were on premises where swill is fed.

Fight for the marketing Boards

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

A DEMAND that the British marketing Boards for milk and potatoes should be retained with all their powers will be one of the main themes at to-day's opening of the National Farmers' Union's annual meeting in London.

These Boards are due to be phased out by the end of transition under Community rules and, in spite of tremendous propaganda by the Milk Board and support from the Commission officials still seem adamant that the Board must lose its monopoly powers to pool all milk.

An indication of the strong feeling about this is shown by the fact that over a quarter of the resolutions deal with this subject. The issue is fundamental because the compulsory nature of the Milk Board's power to purchase all milk and in the case of the Potato Board to limit acreage are against Community rules.

Mr. John Silkin, Minister of Agriculture, has given the Board's case his full support and has shown no hesitation in standing up for British interests.

Where Mr. Silkin and the NFU part company is on the question of overall policy. The NFU has recently been soft-pedalling its demands for a sweeping devaluation of the "green pound" but resolutions from county branches will be underlining the failure of the industry to keep up the rate of expansion forecast in the White Paper, Food from our Own Resources.

Confidence is lacking according to the resolutions and the only way to restore it would seem to be to provide higher prices. There have been some pretty savage attacks on Mr. Silkin recently by NFU branches because of his alleged indifference to farming interests.

Some of the hostility to the Minister has diminished recently because of the announcement last week of the special subsidy on pigs, which could prevent a complete collapse of this sector.

Yet the hostility was not fully supported by many farmers who realise that most sectors of the population are being quite mercilessly squeezed, and that apart from the pig industry most responsible farmers are not doing badly.

What really worries farmers, in my opinion, is the accumulating evidence that the public is cutting down food consumption as prices rise. Sir Henry Plumb in his presidential address will be doing his members a service if he draws their attention to the dangers inherent in this.

Sharp fall in coffee market

By Richard Mooney

COFFEE FUTURES prices fell sharply on the London terminal market yesterday in sympathy with a weak opening in New York. By the close the March position was £58.5 down on the day at £2,621 a tonne. But dealers said there was no new fundamental factor to account for the fall.

At the International Coffee Organisation (ICO) headquarters in London yesterday's session of the ICO executive Board meeting took no decision on the Brazilian proposal for a "crisis" meeting of the Organisation's full 62-nation membership to discuss the coffee supply/price situation. A decision on this matter is expected to-day.

Trade sources generally believe that the meeting will be given the go-ahead but it now seems unlikely to take place in the first half of next month, as was originally proposed. Delegates to the executive Board meetings have suggested that the planned special meeting may be replaced by an ICO study of world coffee production, consumption and stocks.

Base metal values ahead

By Our Commodities Staff

BASE METALS continued their advance on the London Metal Exchange yesterday.

Tin hit record high levels following a sharp rise in the Malaysian price over the weekend and fresh buying demand and a 135 tonnes fall to 4,335 tonnes in LME warehouse stocks. At the close, standard cash tin was up £95 on balance at £5,867.5 a tonne.

The copper ring also reported a good volume of buying with cash wirebars gaining £13.75 to close at £844 a tonne. LME copper stocks dropped by 1,300 tonnes to 612,125.

Under the bullish influence of the copper and tin markets lead and zinc also gained ground. Cash zinc closed £8 up at £413.5 a tonne and cash lead £1.5 up at £344. Zinc stocks fell by 1,675 to 82,950 tonnes and lead showed the only rise of 225 to 63,500 tonnes.

Silver prices also advanced sharply while stocks fell by 180,000 ounces to 28,320,000 ozs.

● Late yesterday Asarco Inc., one of the largest U.S. copper producers, announced that it was raising the price of electrolytic copper of domestic origin by 1 cent to 68 cents a lb for cathodes and 68.625 cents for wirebars with effect immediately.

COMMON MARKET

Warning of further food price rises

BY ROBIN REEVES IN BRUSSELS

"IN THE ABSENCE of energetic action by member governments, it is to be feared that the rise in consumer prices for the Community overall will hardly be less in the coming year (that is 1977) than in 1976." This is the considered view of the European Commission in its annual report on the agricultural situation in the EEC.

The report says energetic action is being taken in some cases, but stresses that it is even possible the effects of the drought on agriculture, further currency depreciations and import price rises may worsen present trends.

For 1977 the cost of the agricultural budget is also expected to rise. The Council of Ministers has adopted a 1977 draft budget of 6,492.4m. units of account for the Common farm fund. But the Commission emphasises that expenditure on monetary compensatory amounts (notably as a result of subsidies on U.K. food imports stemming from the present "green pound" rate) could reach 1,000m. units of account, against appropriations of 592m. in the draft budget.

Summarising the market outlook for the main farm commodities covered by the Common Agricultural Policy the report comes to the following conclusions:

Cereals

Cereals harvests will not enable the EEC to export barley in 1976-77 except in the form of malt. Common wheat available for export will probably be limited to traditional outlets, though a surplus of low quality durum wheat may be difficult to dispose of.

In the feed grains sector, higher demand and lower output will result in larger imports with maize imports in particular up 3m.-4m. tonnes against previous years.

On the world market, wheat production should allow a build-up in overall stocks during 1976-1977, while for feed grains the market demand means that further stockpiling can hardly be expected despite estimates of a record harvest.

Milk and dairy products

The structural imbalance in the EEC milk sector will worsen rapidly during the coming four to five years if the Agriculture Ministers' Council does not take measures to halt present trends. Last summer's drought, though it hit incomes and fodder supplies, had only a very limited effect on the size of dairy herds. An appreciable rise in both yields and production is probable during the second half of this year.

In addition, dairy herds will tend to expand during the coming three years. The average annual rise in milk production will be about 2 per cent., and the rise in deliveries to dairies still more marked.

In the U.K. butter consumption will decline steadily as a result of the price rise during the remainder of the transition period and the abolition or reduction of price subsidies.

Liquid milk and fresh products consumption was stimulated by the hot summers of 1975 and 1976. A return to normal weather conditions and a slowdown in population growth will probably stabilise or reduce this consumption. It would not be realistic to expect the same growth in cheese consumption as in the early 1970's, while use of skim milk, whether in powder or liquid form, will tend to decline.

Migration

Beef and Veal

The decline in EEC beef and veal production will probably sharpen to about 6 per cent. in 1977 against last year's estimated drop of 2 to 3 per cent. from the high 1975 level. But on the basis of present estimates, production should recover in 1978, reach some 6.4m. tonnes in 1979 (the same level as in 1976), and increase to as much as 6.9m. tonnes in 1980. These estimates will however change if measures to curb milk output are adopted.

By contrast, EEC beef and veal consumption is expected to stagnate, particularly in the U.K. and Italy. This is partly due to economic difficulties but partly also to increased pigmeat supplies.

At the same time, a recovery in world beef and veal prices is forecast from present low levels. This would stem from a run-down of cattle herds among traditional world exporters and greater import demand.

Pigmeat

The thrice-yearly surveys of pig herds have shown that breeding stocks are expanding throughout the Community and it is likely to result in 2 to 3 per cent more pigs for slaughter in the first half of this year compared with the first half of 1976. This increase will be even more substantial in the second half of 1977, accentuating the cyclical decline in pig carcase prices. In 1978, no real recovery in prices is likely before the second half of the year although a tighter market for beef and veal may help to avoid too steep a decline.

Eggs and poultrymeat

Production of both will rise towards the middle of 1977, affecting prices, especially of poultrymeat. After 1977 forecasts are difficult, but in the absence of export outlets Community production will exceed the needs of the internal market.

Potatoes

Available supplies from Community production and world markets should be adequate at present to meet consumer demand and exercise some stabilising effect on prices. On the other hand, sowings should increase only slowly because of high investment costs and the uncertainty of the potato market. Hence, weather conditions will once again be the determining factor in market trends and price levels in the 1977-78 marketing year. Consumption trends are difficult to estimate since during the two years of shortages, consumers have been turning to substitutes.

Fruit and vegetables

In the short-to-medium term, no significant change is forecast in production and consumption although some decline may be expected in output of Golden Delicious apples and Passe Crassane pears following the grubbing measures adopted. The trend in glasshouse production is either towards a decline in area or towards the replacement of traditional crops to improve profitability.

Labour

An interesting observation of the report is that the economic recession and the resulting unemployment have affected the rate of migration from agriculture to other sectors.

Although the rate of decline in the labour force has stayed much the same in the 45 and above age group, the decline in numbers in the under-35 age group has either slackened or actually reversed.

The report says it may only be a temporary phenomenon. But "as long as the effects of the present economic recession prevail," their influence on the trend of the agricultural working population and, by implication, on the structural reform of agriculture will call for special attention the report concludes.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Very steady on the London Metal Exchange with the trading mainly speculative nature. Profit-taking was absorbed by new buying. After forward metal rose from £872 to £878 on pre-market dealings ... The market opened steadily and helped to firm in line ... cash wirebars traded at £844 ... Turnover 23,875 tonnes.

Amalgamated Metal Trading reported ...

L.G. Index 01-351 3466 Three months silver 269.5-272.3

PERSONAL

THE BRITISH POLIO FELLOWSHIP BELL CLOSE, WEST END ROAD, RUISLIP, MIDDLESEX HA4 6LP (The Infantile Paralysis Fellowship, registered as a charity in accordance with the National Assistance Act, 1948)

As required by the Regulations governing Permits, the Fellowship announces the results of its Flag Days and House-to-House Collections in October 1976 as follows:—

Metropolitan Police area:	
Income	11,120.57
Expenses	605.68
Net	£10,514.89
City of London Police area:	
Income	1,546.03
Expenses	82.59
Net	£1,463.44

The British Polio Fellowship records its earnest gratitude to the general public for their generous support and its appreciation to all collectors who made this voluntary effort possible.

ZINC				
Cash	413.5-3	+6¾	413-4	+8
3 months	429.5-30	+7	430.5	+8.75
S'ment	413	+6.5		
Prim. West			57	

Morning: Three months £430, 31, 30, 30.5, 29, 28, 29, 30. Kerb: Three months £429. Afternoon: Three months £430, 29.5, 30, 30.5, 31, 30.5, 30, 30.5. Kerb: Three months £431, 32.

* Cents per pound. On previous unofficial close. $M per picul

SILVER

Silver was fixed 1.75p an ounce higher for spot delivery in the London bullion market yesterday, at 258.2p. U.S. cent equivalents of the fixing levels were: spot 434c, up 3.3c; three-month 449.7c, up 3.7c; six-month 457c, up 3.8c; and 12-month 471.3c, up 3.6c. The metal opened at 256-259p (433-445c) and closed at 260.8-261.8p (448-450c).

SILVER per troy oz.	Bullion fixing prices	+ or —	L.M.E. close	+ or —
Spot	258.2p	+1.75	261.75p	+5.5
3 months	267p	+1.95	270.6p	+5.85
6 months	274.8p	+1.55		
12 months	291.3p	+0.9	282.05p	+6.05

LME—Turnover 342 (141) lots of 10,000 ozs. Morning: Three months 268, 8.3, 8.5, 8.3, 8.0, 8.2, 8.3, 8.2, 8.1. Kerbs: Three months 268.5, 8.4, 8.3, 8.2, 8.3. Afternoon: Three months 269.0, 8.2, 8.5, 8.6, 9.5, 9.8, 9.8, 9.5, 9.6, 9.7, 9.8, 70.0, 0.5, 0.5, 0.8, 0.8, 0.5. Kerbs: Three months 270.8, 0.5, 0.7, 0.5, 0.6, 0.7, 0.8, 71.0, 70.8.

COCOA

Following a steady opening, prices fell throughout the day with profit-taking and stop/loss selling in the absence of first-hand activity, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
No. 6 Con'tr'ct			
March	2198.0-2201.0	—25.0	2254.0-2185
May	2182.0-83.0	—21.0	2214.0-2165
July	2098.0-2101.0	—21.5	2145.0-2096
September	2028.0-35.0	—17.0	2064.0-35.0
December	1837.0-40.0	—15.0	1865.0-37.0
March	1788.0-90.0	—15.0	1815.0-1790
May	1740.0-50.0	—5.5	—

Sales: 7,317 (3,447) lots of 10 tonnes.

International Cocoa Agreement (U.S. cents per pound). Daily price for Jan. 21 181.99 (155.98). Indicator prices for Jan. 24: 15-day average 151.88 (150.15); 22-day average 146.91 (145.94).

JUTE

DUNDEE—Quiet. Prices c and f U.K. for Feb.-March shipment: BWC £225, BWD £223. Tossa: BTB £259, BTC £235, BTD £225. Calcutta goods market closed. Yarns and cloths very firm.

COFFEE

Robustas officially closed barely steady on a very quiet day values were £48-£75 down on the previous close, reports Drexel Burnham. Stop-loss profit taking coupled with stop-loss selling bolstered the afternoon session.

No. 4 R.S.S.	Yesterday's close	Previous close	Business done
Feb.	4 75-4 80	55.80-55.05	56.05-54.75
March	58.70-57.00	56.90-57.25	—
Apr-June	60.5-61.00	60.45-60.50	61.05-60.45
Jly-Sept	65.55-65.5	65.15-65.25	66.70-65.25
Oct-Dec	68.45-68.5	68.20-68.50	68.90-68.20
Jan-Mar	71.20-71.25	70.95-71.15	71.45-71.25
Apr-Jne	73.50-73.60	73.55-73.00	72.50
Jly-Sep	74.85-75.00	73.80-76.00	—
Oct-Dec	76.50-77.5	74.75-76.80	—

Sales: 140 (62) lots of 15 tonnes: 11 (18) lots of 5 tonnes.

Physical closing prices (buyer) were: Spot 54p (53.75); Feb. 51.75p (51.5); March 53.25p (53.5).

SOYABEAN MEAL

The market opened 50p up but tended to drift back in reaction to the weakness on the Continent. With commercial buying interest in Chicago, however, prices picked up to close at their highs.

	Yesterday Close	+ or —	Business Done
	£ per tonne		
February	158.00-58.2	+1.80	158.20-57.00
April	158.00-58.2	+1.55	158.00-57.83
June	158.70-59.0	+1.80	158.80-57.80
August	158.50-58.7	+2.55	158.40-56.50
October	154.90-55.5	+2.65	155.00-52.00
December	152.80-52.8	+2.25	152.80-50.90
February	153.00-56.0	+3.0	

Sales: 95 (10) lots of 100 tonnes.

GRAINS

THE BALTIC—Business was slow throughout the session and price movements were marginal. Some demand persisted for nearby transhipment grains due to reported shipping delays from U.S. Gulf ports, but actual business was light.

Wheat: U.S. Dark Northern Spring No. 2, 14 per cent., Feb. £93.40, March £94.45, April-May £86.35 transhipment near East Coast. U.S. Hard Winter No. 2 Ord., 13½ per cent., unquoted. Argentine Milling Feb.-March £73.05; April £74.50 transhipment East Coast. EEC Feed Feb. £86.50, March £88 East Coast.

Maize—No. 3 Yellow American/French Feb. £85 East Coast. Other grades unquoted.

MARK LANE—Brokers reported quiet trading markets with little variation in prices. London bought Jan. parcels of soft milling wheat at £88.50 per tonne while Feb. deliveries of denaturable quality traded to East Anglia at £83.25 a tonne. Average sellers' quotations per tonne for delivery London area: Wheat—Milling Feb. £89. Denaturable Feb. £88.50. Barley—Unquoted.

LONDON GRAIN FUTURES MARKET (GAFTA)—Wheat, quiet. Close: March ...

SUGAR

LONDON DAILY PRICE (raw sugar) £130.00 (£132.00) a tonne cif for Jan.-Feb shipment. White sugar daily price was fixed at £152.00 (same).

The market opened slightly below pre-weekend levels and then drifted, reports C. Czarnikow. Later, higher overseas quotations caused prices to rally with May touching £138.60. However, following the announcement by Peru of an immediate adjudication for 12,000 tons March-April shipment, all the gains were lost.

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
March	133.75-34.00	137.5-38.00	[illegible]
May	136.45-36.5	138.56	140.25-136.25
Aug.	136.25	139.75	[illegible]
Oct.	[illegible]	141.5	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Sales: 2,556 (4,825) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £234.00 (same) a ton for home trade and £195.00 (£200.00) for export.

EEC IMPORT LEVIES: The following import levies for white and raw sugar are effective for January 24 in units of account per 100 kilos (with previous in brackets). White sugar (denatured and non-denatured) 18.83 (same). Raw sugar 16.57 (16.31).

WOOL FUTURES

LONDON—The market was unchanged to slightly higher in a dull and featureless session, reports Bache.

(Pence per kilo)

Australian Greasy Wool	Yesterday's Close	+ or —	Business Done
March	245.0-48.0	+1.0	—
May	250.0-56.0	—0.5	—
July	260.0-65.0	+2.0	260.0
October	265.0-5.0	0.5	270.0
December	272.0-81.0	—0.5	—
March	275.0-5.0	+1.5	—
May	275.0-67.0	+1.5	—
July	276.0-90.0	—2.5	—

Sales, 2 (70) lots of 1,500 kilos.

SYDNEY GREASY (in order buyer seller, business, sales)—March 351.0-352.0, 351.7-351.0, 6; May 354.5-355.0, 355.0-354.0, 21; Total sales, 27. Micron contract—July 361.6-362.0, 362.2-361.0, 67; Oct. 361.5-362.0, 362.0-361.0, 37; Dec. 362.2-362.5, 362.6-361.0, 28; March 368.5-369.5, 369.0-367.1, 24; May 366.5-368.0, 368.5-368.0, 44; July 370.0-371.0, 371.5-369.4, 98. Total sales, 294.

MEAT/VEGETABLES

SMITHFIELD (Prices in pence per pound)—Beef: Scotch killed sides 46.0 to ... Apples—French: Golden Delicious 2.20-2.40, jumble pack 2.70-2.90, Stark Crimson 2.00-2.40; Granny Smith 3.10-3.40, jumble pack per pound 0.65; Italian: Per pound Golden Delicious 0.10, Granny Smith 0.16, Starking 0.19, Romes 0.10. Hungarian: 40 lbs Starking 4.50. Pears—Italian Passacrassane per pound 0.08. Dates—Algerian: 0.30-0.35; Tunis: 0.32-0.34. Tomatoes—Spanish: Boats-trays 1.80-2.00; Canary: 2.50-2.60. Cucumbers: Canary: Per 10/16 prepacked 1.20-2.40. Onions—Spanish: 7.20-7.40; American: 5.80-6.20; Canadian: 6.20. Celery—Israeli: Prepacked 3.90, Spanish: 3.50-3.80. Lettuce—Dutch: 24 4.40; French: 12 2.00. Potatoes—Italian: New, 20-pound basket 3.00; Canary: 12½ kgs. 3.50, 15 kgs. 7.50-7.60, single cross 25 kgs 6.50-6.80; Cyprus: 7.30.

English produce: Apples—Per pound Bramley's Seedling 0.07-0.10, Cox's Orange Pippin 0.13-0.17. Pears—Per pound Conference 0.07-0.10, Comice 0.10-0.13. Potatoes—Per bag 5.20-6.30. Carrots—Per bag 12½ kgs 1.60-1.60. Lettuce—Per 12 round 1.70-1.80. Celery—Per 18-20 prepacked 3.20. Cabbage—Per net 2.00-2.00. Spring Greens—Per net 2.00-3.00. Cauliflowers—1.80-2.50. Swedes—Per 28 lbs Devon 1.30-1.40, Yorkshire 1.20, Scottish 1.20. Sprouts—Per 28 lbs 2.90, 20 lbs best per pound 0.15-0.18. Parsnips—Per 28 lbs 1.50-2.00. Mushrooms—Per pound 0.25-0.35. Turnips—Per 28 lbs 1.40-1.60. Rhubarb—Per pound 0.15.

PALM OIL

LONDON PALM OIL TERMINAL—The market was quiet and uneventful and closed at similar levels to last Friday reports Faure Fairclough. Closing prices Feb 272.00-260.00; April 279.50-276.50; June 282.50-280.75; Aug. 284.50-283.25; Oct 285.00-283.00; Dec. 284.50-281.25; Feb. 284.50-279.00. Sales 3 lots.

★

COTTON—Liverpool. Spot and shipment sales amounted to 1,239 tonnes, the highest daily total since last July, reports F. W. Tattersall. Demand strengthened in numerous varieties with Middle Eastern and African varieties to the fore. Both North and South American growths also made progress.

★

GRIMSBY FISH—Supply poor, demand good. Prices per stone at ship's side (unprocessed): Shelf cod £3.40-£4.20, codlings £3.20-£4.00; large haddock £3.20-£3.70, medium haddock £3.00-£3.60, small haddock £2.50-£2.90, medium plaice £2.70-£3.00, best small plaice £2.70-£3.00, medium skinned dogfish £5.40, large skinned dogfish £6.40; lemon soles £6.50-£7.00. Rockfish £2.40-£2.90; reds £1.40-£1.60; saithe £2.20-£2.40.

PRICE CHANGES

Prices per ton unless otherwise stated

	Jan. 24 1977	+ or —	Month ago
Grains			
Home Futures	£94.3	+1.85	£90.55
Maize			
French No. 3 Am.	£85	+0.5	£81
S.A. Yellow			
Wheat			
No. 1 Red Spring			
No. 2 Hard Winter			
Australian (f.a.q.)			
English Milling (h)	£89	—0.25	£86.5
Cocoa Shipment (v)	2,505.5		£2,011
Futures May	£2,162.5	—21.0	£1,934
Coffee Futures			
March	£2,621	—58.5	£2,589
Cotton 'A' Index			
cent	77.5	—0.55	83.4
Jute UA BWC (d)	£397½		£384
Rubber kilo	54p	—0.25	51p
Sisal EASL (a)	$600 (h)		$605
Sugar (Raw) (a)	£130	—2	£116
Woolstops 64s kilo	306p		306p
Cloves (Madagascar)	£5,000		£4,100
Pepper White ton	$2425		£1,360
Black ton	$2150		£1,155

* Nominal † Seller ‡ Unquoted § Unofficial close ♣ Indicative price u Seller's quotation b U.K. and Commonwealth refined c Uganda Robusta standard grade indicative prices f.o.b. Mombasa U.S. cents a pound d Bangladesh white "C" h Jan.-Feb. i Jan.-March r April-June k March-April q April-May p Feb.-March u Metric tons. o February.

FINANCIAL TIMES			
Jan. 24	Jan. 21	Month ago	Year ago
261.70	258.71	250.14	152.62

(Base: July 1, 1952 = 100)

REUTER'S			
Jan. 24	Jan. 21	Month ago	Year ago
1612.7	1608.9	1561.6	1156.4

(Base: September 18, 1931 = 100)

DOW JONES				
Dow Jones	Jan. 24	Jan. 21	Month ago	Year ago
Spot	362.70	363.03	367.07	294.00
Futures	356.57	356.22	366.53	287.16

(Average 1924-25-26 = 100)

MOODY'S				
Moody's	Jan. 24	Jan. 21	Month ago	Year ago
Spie Commty	884.1	879.0	860.8	716

(December 31, 1931 = 100)

★

COPRA—Philippines per tonne: Feb. March and April $370 resellers cif North Euro ports.

U.S. Markets

Coffee weak but copper, grains rise

NEW YORK, Jan. 24.

COPPER closed a little higher after being strong most of the day when locals sold on the close. ... Coffee closed limit-down on hedge selling. ...

†Lard—Chicago loose 22.00 (same). New York prime steam 22.50 asked (22.25 asked).

††Maize—March 260½-260¼ (259½), May 268½-266½ (264½), July 270¼-271½, Sept 271-271½, Dec. 271-271½, March 277½.

†Platinum—April 164.00 (162.60), July 166.60 (167.70), Oct. 169.50, Jan. 172.10, April 176.20. Sales 625 lots.

‡‡Silver—Spot 440.50 (440.50), Jan. 451.70 (442.70), Feb. 451.60 (442.90), March 453.50, May 458.00, July 462.60, Sept. 467.20, Dec. 474.40, Jan. 478.90, March 481.70, May 486.60. Sales 19,545 lots.

*Soyabeans—March 726-725 (721½), May 735-736 (732), July 735-735, Aug. 732-722, Sept 705, Nov 687-686, Jan 691-692, March 697.

‖Soyabean Meal—March 214.40-214.20 (210.90), May 215.50-215.30 (211.30), July 214.50-214.30, Aug 212.00-213.50, Sept. 206.50-207.00, Oct. 195.00-195.50, Dec. 195.80-195.50, Jan. 195.00-196.00, March 194.50-195.00.

Soyabean Oil—March 22.73-22.70 (21.78), May 23.07-23.05 (22.05), July 23.25 bid, Aug. 23.21, Sept 23.23, Oct. 23.23, Dec. 23.25, Jan. 23.20, March 23.35.

Sugar—No. 11 Spot 9.30 (same). March 9.75-9.77 (9.27-9.25), May 9.16-9.19 (9.42-9.45), July 9.15-9.22, Sept. 9.15-9.25, Oct. 9.20-9.23, Jan. 9.00-9.50, March 9.37-9.42, May 9.44-9.42. Sales 6,553.

Tin—450.00-457.00 asked (445.50).

**Wheat—March 281-281 (278½), May 287 (284), July 292-293, Sept 294, Dec. 303, March 316 nom.

WINNIPEG, Jan. 24. ††Rye—May 95.50 (94.50), July 95.50 (95.10 bid), Oct. 97.00 nom., Nov. nil.

††Oats—May 84.20 (84.50), July 85.10 (85.10 asked), Oct. 86.00 nom.

§Barley—May 92.70 (92.00), July 92.00 nom. (91.90 asked), Oct. 90.70 bid.

‡Flaxseed—May 255.50 (256.00), July 259.00 (256.00 asked), Oct. 259.70 asked, Nov. nil.

Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 202 (202½).

All cents per pound ex-warehouse unless otherwise stated. *Cents per 60-lb bushel ex-warehouse. ‡$ per troy ounce—100-ounce lots. †Chicago loose $'s per 100 lbs—Dept. of Ag. prices previous day. Prime steam f.o.b. NY bulk tank cars. ‡‡Cents per troy ounce ex-warehouse. ‖New "B" contract in $'s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. §$'s per troy ounce for 50-ounce units of 99.9 per cent purity delivered NY. *Cents per 60-lb bushel in store. ††Cents per 56-lb bushel ex-warehouse, 5,000 bushel lots. ‡Cents per 24-lb bushel. †Cents per 48-lb bushel ex-warehouse, 5,000 bushel lots. §Cents per 56-lb bushel, ex-warehouse, 1,000-bushel lots.

STOCK EXCHANGE REPORT

Profit-taking leaves widespread falls in equities

Index down 6.9 at 377.8—Short-dated Gilts bought again

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan. 4	Jan. 13	Jan. 14	Jan. 25
Jan. 17	Jan. 27	Jan. 28	Feb. 8
Jan. 31	Feb. 10	Feb. 11	Feb. 22

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Press comment on the big build-up of speculative positions and on the relatively low level of institutional liquidity triggered off an opening mark-down of leading equities and to subsequent profit-taking. British Funds also trended lower when that market opened at 10 a.m. and, with this prop removed, the fall in equities gathered pace. Selling was on a relatively modest scale but prices were sensitive to even small offerings after the upsurge *over recent months*. Following last Friday's loss of 2.2, the FT Industrial Ordinary share index closed 6.9 down at 377.8, although prices of the constituent shares were no more than narrowly mixed for most of the day as seen in the fact that the index was seven points down at 11 a.m. The *FT-Actuaries All-Share index* fell 1.7 per cent. to 162.09.

Closing losses were minor in view of recent gains, and the Funds gave an even more creditable performance. Early falls to ¼ in long-dated gilt-edged were reduced to ⅛, while the mediums picked up to end unchanged and, *on hopes of a further modest cut* in Minimum Lending Rate next Friday, short-dated issues came in for renewed demand which transformed earlier losses to ⅛ into small net gains. The Government Securities index gave up 0.12 to 64.42.

Falls outnumbered *rises in* FT-quoted Industrials, by 5-to-2, for the first time in nine business days. The level of trade was relatively good with markings of 7,339 as against 7,872 last Friday and 6,085 a week-ago. Business took in a good deal of speculative activity in special situations, and Press comment also produced isolated firm features.

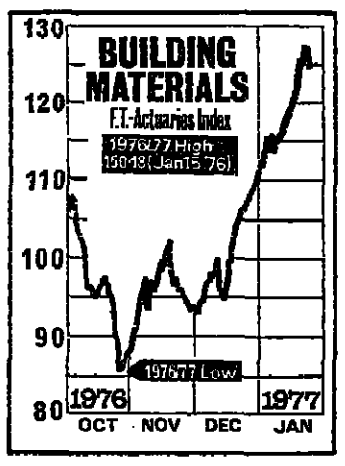
An early shake out in Gilt-edged produced only a modest amount of selling from nervous holders and once this was absorbed the recent firm trend began to show through again. Short-dated maturities were in the van and, with turnover continuing to match last week's high standard, rallied from early losses extending to ⅛ to close up to ⅛ higher on the day, as in the case of Treasury 9 per cent., 1980, at 92⅜, which is *due to be quoted clean to-day*. Helping both business and sentiment was the belief that Minimum Lending Rate could fall ½ to 13 per cent. this Friday. Mediums and longs experienced the quietest day for some considerable time, but the former recouped initial falls of ⅛ to close unchanged, while the latter were often ⅛ easier, after ¼. Confirmation of the $1.5bn. Euroloan, rumoured over the week-end, at favourable terms was taken as another sign of the U.K.'s improved financial and economic status.

The Rhodesian rejection of the new constitutional plan and Mr. Richard's remark that he saw no purpose in reconvening the Geneva peace talks unsettled Southern Rhodesian bonds, which fell about 3 points: the 2½ per cent., 1965-70, issue lost that much to £41.

Further small arbitrage offerings in a market still devoid of any worthwhile demand lowered the investment currency premium 1½ points more to 106½ per cent. The Deltec LET Investments bid for Antofagasta issues generated interest and the Ordinary moved up 2 points more to £18½, against the offer price of £17½, and the Preference 1 to £35, compared with the bid of £34. Yesterday's SE conversion factor was 0.7344 (0.7282).

Banks weak

Awaiting the expected reductions in their base lending rates after last Friday's sharp fall in Minimum Lending Rate, the big four Banks ran into a fair amount of early selling and generally closed at the day's lowest. Barclays, 267p, Lloyds, 217p, and *National Westminster*, 227p, all fell 11, while Midland were 8 down at 280p. Bank of Scotland lost 15 to 250p. Commercial Bank of Australia fell 12 to 210p ahead of Thursday's interim. Alexanders Discount shed 3 to 230p following the results. Merchant Bank casualties included Guinness Peat, 5 off at 160p in front of to-morrow's interim figures. Insurances eased quietly with the general trend.



Apart from Matthew Clark, 5 higher at 72p following Press comment, Breweries gave ground in light trading. Allied Breweries eased a penny to 64p, while Bass Charrington, 98p, and Geo. Sandeman, 33p, shed 2 apiece. Elsewhere, Distillers fell 4 to 127p.

Buildings passed a quiet session and displayed no set trend at the close. Norwest Holst saw a continuation of last Friday's late demand and closed 6 better at 80p, while Press-inspired improvements of between 3 and 5 were recorded in Marchwiel, 130p, Bambergers, 35½p, and Ward Holdings, 26p. Leyland Paint hardened 2 to 41p for a similar reason, and further consideration of the return to profitable trading brought about a fresh *improvement of 5 to 145p* in Burt Boulton. News that the cement makers are seeking their fifth price increase since last January brought modest contrasting movements in Mixconcrete, up 5 to 60p and AP Cement, down 3 at 182p; the latter eased in sympathy with the trend of other leaders. *Richard Costain lost 7 to 140p and* Taylor Woodrow 6 to 260p, while Tarmac gave up 5 to 133p and Leaderflush 2 to 7p.

Profit-taking after last Friday's late speculative spurt brought Hickson and Welch back 15 to 355p in Chemicals; the price in yesterday's issue was incorrect. Light profit-taking took ICI down to 349p before a rally left the shares only 3 down on the day at 353p. William Ransom, however, rose 9 to 105p on buying in a thin market ahead of interim *figures due early next month*.

Burton Group featured a drab Stores sector, closing a penny better at 58p and the A 2 harder at 45p, after 46p, following Press comment on the annual report. Hardy (Furnishers) recorded a Press-inspired *improvement of a penny to 29p* but Marks and Spencer shed 3 to 99p. L. D. and S. Rivlin cheapened 2 to 23p on the lower first-half earnings, while Henderson-Kenton sustained a similar fall to 53p ahead of to-day's interim results.

Excited by the company's venture into the U.S. computer market following its $46m. bid for Milgo Electronics and the higher dividend forecast, buyers came for Racal Electronics and, after touching 282p, the shares closed 16 to the good at 268p. Elsewhere in Electricals the trend was dull. EMI shed 6 to 226p and Thorn 4 to 234p, while GEC and Plessey were both 3 lower at 175p and 69p respectively. Decca, 265p, and the "A", 255p, both lost 10.

Engineering losses were widespread and heaviest among the leaders. Tube Investments fell 10 to 324p, while Hawker, 470p, and GKN, 284p, lost 8 apiece. Vickers were also dull at 154p, *down 6*, along with Ransomes Sims, 8 cheaper at 100p. Weyburn reacted 6 to 363p, but remaining losses were restricted to 4 with the exception of Spear and Jackson which, following Press advice on the bid situation, came back 5 to 117p. Publicity given to *a broker's circular aroused* interest in Aurora Holdings, which fluctuated between 65p and 58p before closing a net 2 higher at 62p. A. C. E. Machinery, reflecting the good results, gained 8 to 80p, while Cooper Industries improved 1½p to 11½p on newspaper mention.

Foods closed on a dull note following a marked reduction in trade. Tate and Lyle reacted 4 to 268p, while J. Sainsbury, 153p, and J. Lyons, 58p, both closed 3 cheaper. FMC, at 73p, gave up 3 of Friday's bid-inspired gain of 9. J. E. Sanger contrasted *with* a rise of 2 to 51p following Press comment. Other firm spots included Meat Trade Suppliers, 2 up at 92p, and Pork Farms, 5 better at 134p. In Supermarkets, Tesco eased a penny to 34½p. Hotels and Caterers were notable only for a decline of 1½ to 68p in Grand Metropolitan in front of Friday's preliminary statement.

White Child jump

With the exception of Glaxo which held firm at 437p, up 4, the Miscellaneous Industrial leaders *drifted down on light profit-taking*. After last week's spurt of 27 on the record preliminary profits, Rank Organisation declined 8 to 170p, while Unilever lost 10 to 434p and Metal Box, 268p, and Pilkington Bros., 308p, fell 6 and 7 respectively. Secondary issues were highlighted by White Child and Beney which jumped 13½ to a 1976/77 peak of 64½p on news of the bid from Arthur Guinness, 3 lower at 125p. GR Holdings added 8 to 246p and Low and Bonar improved 5 to 145p but profit-taking after recent strength took Manchester Ship Canal down 9 to 204p, Pauls and Whites 5 lower to 93p and recent North Sea oil favourite IC Gas down 8 to 360p. A similar fall was seen in Restmor, 58p, a restricted market, while International Computers were 7 lower at 168p. Grovebell lost 4 to 14p.

Motors and Distributors drifted gently lower in idle trading. British Leyland shaded 3 to 23p following news of the increased cost of the company's Mini replacement programme. Fodens contrasted with a rise of a penny to 25p following Press comment.

Recent North Sea-oil favourite Thomson Organisation succumbed to profit-taking and last 12 to 368p in Newspapers where losses of 5 were recorded in Associated, 130p, and Daily Mail and General Trust "A", 230p. Beaverbrook, on the new tabloid-form and price increase for the Daily Express, hardened 2 to 39p. Among Paper/Printings, Dolan Packaging were an erratic market after recent strength; touching 100p on Press suggestions that a bid may soon be in the offing, the shares reacted sharply on the Board's denial to close 2 easier on the day at 90p, after 88p.

Shell react again

The surrounding dullness caused buyers of Oils to hold off and a steady stream of small selling brought Shell down 8 to 476p, after 474p. In Burmah, business was more two-way and after reacting to 54p the price settled a *net 2 cheaper at 56p, while British* Petroleum drifted quietly easier to 800p, *down 4*. Ultramar, 138p, and Tricentrol, 106p, were similarly lower, but newspaper mention helped sustain Century, which improved 1 to 55p. Lasmo-scot issues gave up 8 to 285p.

Properties attracted support at the lower levels and several either *reduced or regained early losses*. Stock Conversion, for instance, closed only 1 off at 183p, after 179p, and Berkeley Hambro 4 down at 70p, after 67p. Market conditions generally militated against favourable Press comment and while Bernard Sunley improved 2 to 124p, Great Portland lost 6 to 218p and Haslemere Estates slipped 4 to 175p. Still reflecting last week's annual results, Corn Exchange put on 2 more to 130p. Elsewhere, Imry were raised 5 to 165p, but profit-taking brought Lynton Holdings back 4 to 79p and Law Land 2½ to 46p.

Movements in Trusts and Financials were small and mixed. Derby Trust Capital finished 2 easier at 93p following the preliminary figures, while similar losses were sustained by Charterhouse, 44p, and T. Jourdan, 22p.

Shippings closed at the day's lowest following a disappointing trade, but P. and O. Deferred eased only 1½ to 126p. Common Bros. were lowered 6 to 179p and Reardon Smith "A" 4½ to 77p.

Press comment directed attention to John Haggas, which jumped to 335p in active trading before closing 15 *better* on the day at 325p. Other Textiles had an easier bias, Courtaulds closing 3 off at 102p.

BAT Industries were notably dull in idle Tobaccos, the Deferred closing 4 off at 227p and the Ordinary 7 cheaper at 268p, *the preliminary figures are due* on February 1.

Edworks resisted the easier trend in South African Industrials and closed 5 higher at 33p.

Rubbers featured Golden Hope, which closed 3 up at 83p following an active two-way business.

After Friday's rise of 6, Warren Plantations eased 2 to 112p despite results which came up to market expectations. Empire Plantations, at 9¾p, gave up 1½ of Friday's bid-inspired gain of 1¾ and Lunuva reacted 5 to 80p.

Golds drift

Mining share markets began the week in a subdued fashion. South African Golds lost ground for the fourth successive trading day owing to lack of interest, despite the higher bullion price which was finally 75 cents up at $132.625 per ounce in front of Wednesday's International Monetary Fund auction. A further adverse factor was the easier investment currency premium.

Business in the heavier-priced issues was minimal but falls ranging to 15 among the lower priced stocks like Durban Deep, 250p, and 10 in East Rand Proprietary, 250p, and East Driefontein, 485p, were sufficient to lower the Gold Mines index by 0.8 to 105.2—its lowest since October 13.

The overseas-based Financials, with the exception of Anglo American which picked up 8 to 208p, generally declined in sympathy with Golds.

The London-registered Finance Houses also came under a cloud owing to the weakness of the *U.K. Industrial* market. Charter retreated 7 to 138p and Gold Fields and RTZ were both 4 off at 156p and 191p respectively.

Coppers remained neglected while the Malaysian-domiciled Tins eased on investment premium considerations. Ayer Hitam gave up 4 to 365p.

The continuing weakness of home markets, which have now declined overall for six consecutive trading days, prompted further small offerings of Australian issues. MIM Holdings lost 3 to 213p. On the other hand, BH South put on 4 to 84p and North Broken Hill 2 to 98p, reflecting their respective holdings in Alcoa of Australia which announced a substantial jump in 1976 profits.

Elsewhere, further consideration of the reduced December quarterly results left Murchison 15 down at a 1976-77 low of 48. Musto Exploration, however, rose 5 to 32p on Canadian advices.

FINANCIAL TIMES STOCK INDICES

	Jan. 24	Jan. 21	Jan. 20	Jan. 19	Jan. 18	Jan. 17	A year ago
Government Secs	64.42	64.54	64.18	63.96	64.09	63.61	65.8
Fixed Interest	64.94	65.03	64.85	64.73	64.72	64.28	62.8
Industrial Ordinary	377.8	384.7	386.9	381.6	381.1	374.4	404.
Gold Mines	105.2	106.0	108.2	110.8	112.7	111.3	212.
Ord. Div. Yield	5.96	5.87	5.84	5.91	5.92	6.02	5.2
Earning Y'ld % (full)(*)	18.39	18.13	18.09	18.32	18.34	18.65	14.9
P/E Ratio (net) (*)	7.80	7.91	8.10	7.99	7.98	7.85	9.8
Dealings marked	7,339	7,872	6,856	8,094	7,855	6,085	8,81
Equity turnover £m.	—	92.53	86.99	92.88	95.91	58.60	87.2
Equity bargains total	—	17,106	17,561	19,357	18,741	12,923	20,83

10 a.m. 381.7. 11 a.m. 377.7. Noon 378.4. 1 p.m. 378.5. 2 p.m. 378.6. 3 p.m. 378.1.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=7.74.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1976/77 High	1976/77 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	65.21 (30/1)	55.65 (27/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	65.05 (21/1/77)	55.57 (28/10)	150.4 (28/11/47)	50.54 (3/1/75)
Ind. Ord.	420.8 (4/5)	265.5 (27/10)	543.6 (19/5/72)	49.4 (26/6/40)
Gold Mines	246.9 (2/1)	78.8 (25/8)	442.4 (22/5/76)	42.5 (28/10/71)

S.E. ACTIVITY

	Jan. 24	Jan. 21
Daily—		
Gilt-Edged	288.3	283.4
Industrials	234.5	255.3
Speculative	43.9	49.2
Totals	167.0	179.2
5-day Av'rge		
Gilt-Edged	251.8	258.6
Industrials	253.0	240.1
Speculative	49.0	48.6
Totals	173.0	167.1

800 to exhibit at Motorfair

MORE THAN 800 companies are expected to exhibit at the Motorfair exhibition at Earls Court, London, from October 19 to 30.

Interest has come from main distributors, used-car dealers and manufacturers of components and accessories.

A feature of the exhibition will be an auction of vintage, veteran and used cars.

Ras al Khaimah can be dialled

All the United Arab emirates are now accessible on the telephone by self-dialling from Britain. Over the weekend Ras Al Khaimah came on to "direct line."

The Arab state is the 47th country that U.K. telephone users with overseas direct dialling facilities can now dial direct.

F.T.—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS ‡ — GROUPS & SUB-SECTIONS — Monday, January 24, 1977

Figures in parentheses on the right show number of stocks per section.

	Index No.	Day's Change %	Friday Jan. 21	Thurs. Jan. 20	Wed. Jan. 19	Tues. Jan. 18	Year ago (approx.)
1 CAPITAL GOODS (178)	144.55	−1.7	147.00	146.08	145.10	142.55	158.15
2 Building Materials (31)	124.79	−2.0	127.36	125.78	125.04	121.71	147.21
3 Contracting, Construction (22)	192.89	−2.2	197.19	198.44	197.60	190.40	244.85
4 Electricals (16)	284.52	−1.1	287.56	285.53	285.18	279.78	271.71
5 Engineering (Heavy) (12)	184.80	−1.6	187.88	185.87	185.26	180.21	176.18
6 Engineering (General) (66)	130.14	−2.1	133.00	132.51	131.95	130.50	133.88
7 Machine and Other Tools (9)	60.49	−1.4	61.33	60.88	60.88	59.98	53.25
8 Miscellaneous (22)	126.48	−0.4	127.04	125.38	123.37	121.14	150.93
11 CONSUMER GOODS (DURABLE) (53)	129.33	−0.8	130.39	128.89	127.01	124.87	129.56
12 Lt. Electronics, Radio TV (15)	145.45	−0.6	146.28	143.74	140.77	137.31	148.53
13 Household Goods (13)	137.22	−0.3	137.57	136.59	135.17	132.29	179.66
14 Motors and Distributors (25)	83.84	−1.5	84.95	84.57	83.96	83.54	74.23
21 CONSUMER GOODS (NON-DURABLE) (170)	144.44	−1.6	146.74	146.18	144.62	142.35	159.09
22 Breweries (15)	155.21	−1.6	157.68	158.55	156.71	154.67	174.90
23 Wines and Spirits (6)	165.63	−2.1	167.08	167.22	165.67	165.39	181.41
24 Entertainment, Catering (15)	184.94	−1.5	187.77	187.63	186.26	182.98	203.94
25 Food Manufacturing (21)	159.51	−1.9	162.63	162.04	160.87	157.87	169.41
26 Food Retailing (17)	159.24	−1.5	161.02	160.38	159.59	155.57	148.64
32 Newspapers, Publishing (16)	205.80	−2.1	210.26	209.52	209.10	206.70	174.10
33 Packaging and Paper (12)	97.69	−1.1	98.81	99.09	97.58	97.56	109.84
34 Stores (33)	118.45	−1.5	120.24	119.25	118.16	114.81	133.40
35 Textiles (24)	133.59	−2.3	136.67	136.50	133.26	132.53	180.25
36 Tobaccos (3)	213.36	−1.0	215.43	212.87	210.20	211.10	228.18
37 Toys and Games (6)	81.17	−0.2	81.38	81.16	79.73	79.36	59.88
41 OTHER GROUPS (95)							
42 Chemicals (26)	214.09	−1.4	217.15	217.27	215.66	213.66	212.49
44 Office Equipment (6)	88.48	−2.7	90.92	91.97	88.08	85.50	92.94
45 Shipping (11)	416.52	−1.7	423.81	425.09	425.38	419.50	408.22
46 Miscellaneous (50)	151.44	−1.7	154.00	153.20	151.71	149.27	169.59
49 INDUSTRIAL GROUP (496)	150.91	−1.6	153.30	152.67	151.15	148.87	160.72
51 Oils (4)	437.06	−1.1	441.72	446.95	444.74	444.85	357.03
59 500 SHARE INDEX	173.85	−1.5	176.42	176.25	174.63	172.51	175.54
61 FINANCIAL GROUP (100)	127.15	−2.9	130.98	130.73	129.05	127.84	150.62
62 Banks (6)	154.12	−4.2	160.80	162.22	159.79	160.84	184.05
63 Discount Houses (10)	170.92	−0.5	171.71	170.63	173.83	170.37	175.10
64 Hire Purchase (5)	106.61	−2.5	109.32	106.60	105.26	97.31	120.52
65 Insurance (Life) (10)	105.81	−3.1	109.19	108.71	107.78	105.60	127.54
66 Insurance (Composite) (7)	101.79	−2.3	104.20	104.79	103.30	102.56	117.61
67 Insurance Brokers (10)	231.42	−1.5	234.94	235.43	234.70	232.87	225.77
68 Merchant Banks (15)	64.64	−2.2	66.12	65.76	64.51	62.52	95.08
69 Property (31)	162.84	−2.7	167.36	162.12	159.61	156.93	169.57
70 Miscellaneous (6)	75.61	−2.4	77.47	76.77	76.27	75.26	88.38
71 Investment Trust (50)	156.14	−1.0	159.73	159.50	159.01	156.55	181.63
81 Mining Finance (4)	91.47	−2.4	93.71	93.62	92.93	89.04	112.37
91 Overseas Traders (17)	229.34	−1.1	231.91	231.27	229.92	227.46	233.75
99 ALL-SHARE INDEX (671)	162.09	−1.7	164.88	164.67	163.16	161.10	169.49

FIXED INTEREST

	Monday Jan. 24 Index No.	Yield %	Friday 21	Thurs. 20	Wed. 19	Tuesday 18	Monday 17	Friday 14	Thurs. 13	Year ago (approx.)
1 Consols 2½% yield	—	13.52	13.42	13.50	13.50	13.40	13.49	13.66	13.56	13.83
2 20-yr. Govt. Stocks (6)	49.98	13.03	50.04	49.87	49.66	49.77	49.38	48.98	49.46	51.78
3 20-yr. Red. Deb. & Loans (15)	50.02	14.77	50.02	49.87	49.87	49.85	49.45	49.15	48.29	52.40
4 Investment Trust Prefs. (15)	48.37	14.38	48.33	48.05	48.05	48.01	47.97	47.35	47.30	49.94
5 Coml. and Indl. Prefs. (20)	66.69	13.14	68.58	68.49	68.52	68.16	67.40	67.16	66.95	69.58

‡ A new numbering system is introduced in the display. The numbers shown in parentheses on the right show the number of stocks per section. † Redemption yield. A record of the indices, cost £6, is obtainable from FT Business Enterprises, 10, Bolt Court, London, EC4. It gives all groups and sub-section indices at fortnightly intervals since the start of the series in 1962 with quarterly highs and lows. Dividend and earnings figures are also included. * Corrected.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1976-77 high	1976-77 low
ICI	£1	21	353	−3	402	256
P. & O. Defd.	£1	14	126	−1½	130	87
BATs Defd.	25p	13	227	−4	243	183
Shell Transport	25p	13	476	−8	490	352
Barclays Bank	£1	12	267	−11	330	190
Burmah Oil	£1	12	56	−2	81	35
Racal Electronics	25p	12	268	+16	282	155
Lloyds Bank	£1	11	217	−11	266	155
GKN	£1	10	284	−8	360	203
Hawker Siddeley	25p	10	470	−8	490	334
Midland Bank	£1	10	280	−8	320	200
Beecham	25p	9	394	−4	404	269
BP	£1	9	800	−4	840	537
Rowthorpe Hldgs.	10p	9	38	+2	40	15
Grand Met.	50p	8	68	−1½	88	41

The above list of active stocks is based on the number of bargains recorded yesterday in the Official List and under Rule 163(1) (e).

Option Report—3-month Call rates

OPTION DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan. 12	Jan. 24	Apr. 6	Apr. 20
Jan. 25	Feb. 7	Apr. 21	May 4
Feb. 8	Feb. 21	May 5	May 17
Feb. 22	Mar. 7	May 19	May 31

Calls were dealt in Ladbroke Warrants, Grand Metropolitan, Town and City, UDT, Thos. Borthwick, Burmah Oil, Courtaulds, Norwest Holst, Highland Electronics, English Property, Capital and Counties, Transparent Paper, MEPC, Dunlop, Ultramar and ICI, while doubles were arranged in Ladbroke Warrants, ICI, Town and City, Norwest Holst, Burmah Oil, Transparent Paper Centreway and Lonrho. Short-dated doubles were done in ICI and Lonrho.

NEW HIGHS AND LOWS FOR 1976/77

The following securities quoted in the Share Information Services yesterday attained new Highs and Lows for 1976-77.

NEW HIGHS (24)

NEW LOWS (8)

RISES AND FALLS

MONEY MARKET

Interest rates lower

Bank of England Minimum Lending Rate 12¼ per cent. (since January 21, 1977)

Short-term fixed period interest rates continued to decline in the London money market yesterday. Discount houses buying rates for three-month Treasury bills fell to 12⅜-12¼ per cent., suggesting a further fall of ¼ per cent. in Bank of England Minimum Lending Rate if repeated at Friday's Treasury bill tender.

The Bank of England did not give any indication of future policy on interest rates, although day-to-day credit remained in very short supply. The authorities gave assistance by buying a moderate amount of Treasury bills from the houses and banks, and by buying a small number of local authority bills. They also lent an exceptionally large amount, overnight at Minimum Lending Rate, to ten or 11 houses.

Banks carried forward surplus balances from Friday, but this was outweighed by a net market take-up of Treasury bills, an increase in the note circulation, settlement of small official sales of gilt-edged stock and repayment of the exceptionally large amount lent to the market on Friday.

Discount houses paid 13¾ per cent. for secured call loans in the early part, and closing balances were found at 13½-13¾ per cent.

In the interbank market, overnight loans opened at 13¼-14 per cent., and ranged between 13 per cent. and 14½ per cent., before closing at 13¾-13⅞ per cent.

Rates in the table below are nominal in some cases.

BASE LENDING RATES

A.B.N. Bank 14
Allied Irish Banks Ltd. 14

CORAL INDEX

INSURANCE BASE RATES

AUTHORISED UNIT TRUSTS

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

REGIONAL MARKETS

A selection of the share prices previously shown under regional headings is presented below with quotations on London. Irish issues, most of which are not officially listed in London, are shown separately and with prices as on the Irish Exchange.

any Inv. 20p	18	......	Higsons Brew.	82	......			
Spinning	34	......	I.O.M. Stm. £1	138	......			
ham	18	......	Holt (Jos.) 25p	200	......			
wtr. Est 50p	140	......	Kleen-e-Ze	40	......			
er Croft	21	......	Lovell's Ship £1	180	......			
g & Rose £1	360	......	N'thn. Goldsmith	25	......			
on (R.A.)	23	......	Pearce (C. H.)	85	......			
s & McHdy.	59	......	Peel Mills	14	......			
ns Fr'k.10p.	25	......	RobbCaledonSh.	44	-2			
red	8	......	Sayers 12½p	16	......			
Forge	49	......	Sheffield Brick	75	......			
ay Pkg. 5p	16	......	Sheff. Refrshmt.	140	......			
g Ship. £1	285	......	Shiloh Spinn.	22	......			
m Sleigh 10p	9½	-½	Sindall (Wm.)	49	......			

IRISH		
Conv. 9% '80/82	£87½	+¼
Alliance Gas	44	..
Arnott	220	..
Carroll (P.J.)	120xd	..
Clondalkin	31	-3
Concrete Prods.	51	..
Heiton (Hldgs.)	28	-3
Ind. News	46xd	..
Ins. Corp.	148¼	...
Irish Distillers	43	..
Irish Ropes	97	+1
Jacob	46	..
Sunbeam	14	+1
T.M.G.	98	+3
Unidare	44	..

NOTES

Prices do not include $ premium, except where indicated ♦ and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. † Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1976/7 High	Low	Stock	£	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99¼	95⅞	Treasury 5¼pc 1977‡‡	99½	+1/32	6.30	12.49
98¾	94½	Electric 3pc '74-77	98¾	......	3.04	12.72
103⅞	97¼	Treasury 11½pc 77‡‡	99¾	......	11.52	11.69
95⅛	91⅝	Treasury 3pc 77‡‡	93¾	......	3.21	11.54
95⅞	92¼	Transport 4pc '72-77	95¼	−1/16	4.20	9.68
98⅞	90½	Treasury 9pc 1978‡‡	97¼	+1/16	9.25	11.58
101½	92⅞	Treasury 10½pc 78‡‡	99⅛	+1/16	10.55	10.85
94	89¾	Exch 5pc '76-78	93⅞	−⅛	5.33	9.02
103⅞	92⅞	Treasury 11½pc 79‡‡	97⅞	+1/32	11.76	12.72
96¾	92½	Treas. 11½pc '79 A‡‡	97⅞	+1/32	11.76	12.70
88⅞	82¼	Treasury 3pc 79‡‡	87½	......	3.43	8.36
90⅞	82¼	Electric 4¼pc '74-79	88½	......	4.80	9.19
100⅛	88⅞	Treasury 10½pc 79‡‡	95⅝	+½	10.99	12.41
88¾	82¼	Electric 3½pc '76-79	88½	......	3.95	8.16
96⅞	84½	Treasury 9pc 1980‡‡	92⅝	+⅛	9.72	11.91
96½	84⅞	Treasury 11¼pc '80‡‡	92⅝	−1/32	12.36	12.36
87⅞	78¼	Treasury 3½pc '77-80	87⅝	+⅛	4.00	7.81
89¼	80	Funding 5¼pc '78-80‡‡	88⅝	+⅛	5.92	9.23
100⅞	96	Exchequer 13pc 1980‡‡	100⅞xd	+⅛	12.90	12.70
103⅞	88½	Treasury 11½pc 1981‡‡	97⅞	+⅛	11.76	12.22
86	76¼	Treasury 3½pc 1979-81	82⅝xd	......	4.24	8.67
95⅝	82⅞	Treasury 9¾pc 1981‡‡	91⅞	+1/32	10.62	12.30
100¼	96¼	Exch 12¾pc 1981‡‡	100¼	+1/16	12.72	12.66
94½	79⅞	Treasury 8½pc '80-82‡‡	89¾	......	9.47	11.24
		Five to Fifteen Years				
76½	69⅞	Treasury 3pc '82‡‡	76½xd	......	3.91	8.82
108½	93½	Treasury 14pc '82‡‡	108⅛	......	13.30	12.57
107¾	88⅞	Treasury 12pc 1983‡‡	102⅞	......	12.23	12.44
81⅛	69⅝	Funding 5½pc '82-84‡‡	78¼	......	7.04	9.92
87⅞	74¼	Treasury 8¼pc '84-86‡‡	84	......	10.16	11.37
74⅞	60½	Funding 6½pc '85-87‡‡	72⅞	......	9.17	11.38
77⅞	65½	Treasury 7¾pc '85-88‡‡	74½xd	......	10.40	11.98
53	44⅞	Transport 3pc '78-88	53	......	5.68	10.03
59¼	46	Treasury 5pc '86-89	57⅞	......	8.65	11.63
103¾	86½	Treasury 13pc 1990‡‡	95¼	......	13.63	13.77
73⅞	61⅞	Treasury 8¼pc '87-90‡‡	72¼	......	11.56	12.77
60	47⅞	Funding 5¾pc '87-91‡‡	57⅞	......	10.27	12.41
100½	83	Treasury 12½pc '92‡‡	91⅞xd	......	13.89	14.08

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 36% (based on $US1.7184 per £)

*Conversion factor 0.7344 (0.7282)

CANADIANS

1976/7 High	Low	Stock	£	+ or −	Div. Gross	C'vr	Y'ld Gr's
14¼	10⅞	Bk. Montreal $2	10⅞	−⅛	$1.00	—	5.4
20¼	14½	Bk. Nova Scotia $1	16⅞	−1/16	86c	—	3.1
46¾	33¼	Bell Canada 25c	37¼	−¼	$3.72	—	5.8
23⅝	12	Bow Valley‖	19⅝	+⅛	10c	—	0.3
10⅛	780p	Brascan‖	940p	+25	10¼	—	6.2
29⅞	18⅞	Can.Imp.Bk. $2	19⅞	−¼	$1.40	—	4.2
16⅞	10⅞	Can.Pacific $5	12⅞xd	−1/16	80c	—	9.8
29⅝	25¼	Do. 4pc Deb. £100	28⅝	−¼	4%	—	14.1
37⅞	17½	Gulf Oil Can.‖	19½	−½	$1.00	—	3.0
670p	345p	Hawker Sid. Can.‖	350p	......	36c	—	6.0
33	21	Hollinger $5	22¼	......	$1.80	—	4.7
18	10⅞	Hudson's Bay £	12½	......	60c	—	2.8
34⅞	25½	Hud.B Oil G. $2½	27¼	−¼	Q152c	—	3.2
22¼	15	Imperial Oil‖	16⅛	−¼	86.4c	—	3.1
31½	19½	Inco	26⅛	......	$1.40	—	3.1
920p	660p	Int. Nat. Gas $1	790p	......	80c	—	6.0
25½	15½	Massey Ferg.‖	15¼	+¼	$1.00	—	3.7
27⅝	20¼	Pacific Pet. $1	22⅞	+½	86.4c	—	2.2
42p	24p	Place Gas $1	35½p	+1	—	—	—
30¼	21	Rio Algom	21¾	−⅛	$1.00	—	2.7
27¼	18⅞	Royal Bk. Can. $2	19⅞	−1/16	$1.38	—	4.2
28⅞	16½	Seagram Co. C$1	18	......	86.4c	—	2.8
18⅞	13⅞	Tor. Dom. Bk. $1	14⅛	−⅛	76c	—	3.1
11⅞	830p	Trans. Can. Pipe $3½c	980p	−10	95c	—	5.7

S.E. List Premium 36% (based on $1.7365 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

1976/7 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
102	75	De Vere Hotels	102	—	[illegible]	[illegible]	5.8	[illegible]
41½	4	Epicure 5p	34	—	—	—	—	—
83	41	Grand Met. 50p	68	−1½	[illegible]	2.3	8.6	8.8
£109	£54	Do. 10pc Cv. 91-95	£81	−½	[illegible]	4.6	[illegible]	—
63	50	Isle of Man Asst.	62	—	Q3.13	3.1	5.0	—
44	32	[illegible]	37	−1	Q1.5	2.5	3.8	[illegible]
166	145	Kursaal [illegible]	156	—	[illegible]	1.9	6.4	15.8
116	66	Ladbroke 10p	99	−½	[illegible]	2.6	7.0	6.7
42	22	Leisure Gen. 10p	26	—	1.73	2.9	10.3	5.2
7¼	2½	Mt. Charlotte 10p	7	—	—	—	—	—
95	50	Middleton 50p	87	—	4.22	2.6	7.5	6.9
14	5	Norfolk Cap 5p	11	—	0.2	1.2	2.8	24.4
27	19	North Cl. F.) 10p	26	—	0.73	1.8	4.3	35.1
30	17	Pontin's 10p	24½	−½	1.5	1.5	9.4	8.5
55	37	Prince of Wales	40	—	2.28	3.7	8.8	[illegible]
9	5½	Queen's Moat 5p	6½	—	—	—	—	25.4
80	63	Reo Stakis Hotels	79	+1	5.1	1.7	9.9	8.7
38	18	Savoy "A" 10p	36	—	0.50	—	2.1	—
28	12½	Stakis (Reo) 10p	19½	—	0.92	6	7.3	—
27	11	[illegible] 10p	20	—	[illegible]	2.4	—	—
125½	72	Trust H. Forte	123	—	7.35	0.9	9.2	20.5
20	10	[illegible] 10p	14	—	1.04	3.6	11.4	3.7
105	78½	Wheeler's 10p	105	—	26.7	3.5	5.8	6.2

INDUSTRIALS

(Miscel.)

1976/7 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
177	120	A.A.H.	173	−4	[illegible]	2.5	9.8	6.6
40	22	AGB Research	36	−1	[illegible]	3.8	7.8	5.8
69	39	A.V.P. Inds.	58	—	2.6	5.2	7.0	4.2
61	26	Aaronson Bros. 10p	48	—	1.60	3.0	5.1	10.6

INDUSTRIALS—Continued

1976/77 Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
51	Hoskins & H 20p	74	......	4.25	2.6	8.8	6.7
16½	Howard Tenens	28	−½	2.11	—	17.1	—
61	Hunting Assoc.	92	......	t2.64	8.4	7.4	4.6
38	Huntleigh 10p	63	+1	†1.92	4.7	4.7	8.1
32½	Hutch. Int. SHK1	56½	−½	—	—	—	—
5¾	Hyman (I. & J.)	10	......	d0.16	14.2	2.5	4.4
£14½	I.C. Industries$1	£18½	......	Q$1.40	—	4.7	—
250	Imp. Cont. Gas £1	360	−8	†7.98	2.3	3.4	19.3
16	Ingall Inds. 10p	21	......	1.57	1.9	11.5	7.0
37	Initial Services	51	......	3.68	1.1	17.1	12.1
4½	Inter-City 20p	6	......	†0.8	1.8	‡	4.1
90	Int. Computers £1	168	−7	5.2	5.8	4.8	4.6
23½	James (John)	27	......	2.27	1.7	13.0	6.2
18	James (M.) 10p	20	−½	d2.57	1.2	20.8	5.9
264	Jardine M. SHK5	316	−6	Q63c	2.3	2.6	16.8
6¼	Jentique 5p	7½	−¼	0.53	1.8	11.0	7.6
10	Johns'n & B 12½p	12	......	—	—	—	—
23½	Johnson Clars.	34½	......	†2.32	2.0	10.3	7.4
240	Johnson Mthy. £1	334	......	11.08	4.4	5.1	6.2
7	Judge Int.	12	......	—	—	—	—
16	Kalamazoo 10p	20½	−½	1.73	1.2	13.0	9.7
42	Kelsey Inds. 12½p	52	......	2.9	6.9	8.6	2.6
11	Kennedy Sm. 10p	15	......	1.36	1.9	14.5	5.4
375	Kershaw (A.) 5p	675	−12½	14.09	φ	3.3	φ
133	Kleeman	190	......	td4.26	6.0	3.5	7.6
27	Kode Int.	58	......	†1.33	2.0	3.5	8.9
50	L.C.P. Hlds.	72	−1	†3.9	2.0	8.3	9.3
17	L.K. Ind'l. Invs.	19	......	d2.14	2.0	18.3	4.3
33	L.R.C. Int. 10p	53	−2½	g3.40	2.4	10.1	6.2
40	Lamson Inds.	57	−½	2.5	2.4	6.7	8.8
16	Lawtex	25	......	2.0	0.9	12.3	13.5
104	Lead Inds. 50p	149	−3	†5.09	4.5	5.3	6.5
53	Leadenhall Stg.	58	......	†3.66	2.8	9.7	4.6
39	Le Bas (Ed.)	54	......	†1.48	14.6	4.2	2.7

INSURANCE

1976/77 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
86	48	Bowring C.T.	71	......	12.64	3.5	5.7	8.9
46	27½	Brentnall Be. 10p	43	−1	1.14	3.3	4.1	11.3
156	92	Britannic 5p	122	−2	7.47	—	9.4	—
£13	£10	Combined Am. $1	£12⅛	−⅛	Q80c	—	4.1	—
158	75	Comm. Union	116	−2	6.84	—	9.1	—
144	74	Eagle Star	111	−3	g5.49	—	7.6	—
£128½	£91	Ennia L.F.9¾%	£104		Q9¾%	—	†8.6	—
184	76	Equity & Law 5p	116	−4	5.44	—	7.1	—
175½	117	Gen. Accident	168	−4	t7.25	—	6.6	—
225	128	Guardian Royal	190	−4	†8.27	—	6.7	—
235	142	Hambro Life	200	−15	h13.75	—	10.5	—
445	264	Heath (C.E.) 20p	420	−5	†13.0	3.1	4.8	9.9
179	108	Hogg Robinson	129xd	−3	t5.52	4.1	6.6	9.6
163½	101	Howden (A.) 10p	129	−2	t5.0	5.8	6.0	8.8
148	81	Legal & Gen. 5p	120	−3	†4.65	—	6.0	—
139	90	Les. & Gdwn. 10p	101	−2	3.69	2.5	5.7	10.9
140	68	Lon. & Man. 5p	100	−4	†4.64	—	7.1	—
64	43	London United 5p	63	......	t3.76	1.8	9.2	10.2
236	154	Matthews Wr. 20p	190	−4	†8.04	2.5	6.5	9.5
142	100	Minet Hldgs. 20p	132	−3	b3.73	3.2	4.3	10.6
62	41	Moran Chris. 20p	61	−1	h3.25	1.7	8.2	10.9
250	134	Pearl 5p	198	−6	†10.24	—	8.0	—
240	132	Phoenix	210	−2	†8.42	—	6.2	—
148	93	Provident "A"	105		†6.65	—	9.7	—
148	93	Do. "B"	105		†6.65	—	9.7	—
146	84	Prudential 5p	122	−4	†5.41	—	6.8	—
130	78	Refuge 5p	102	−2	6.83	—	10.3	—
352	208	Royal	316	−6	†13.39	—	6.5	—
282	176	Sedg. Forbes 10p	232	−4	t8.59	1.7	5.7	16.9
113	68	Stenhouse	88	−2	3.63	φ	6.5	φ
470	290	Sun Alliance £1	410	−3	†16.4	—	6.2	—
98	47	Sun Life 5p	70	−2	2.79	—	6.1	—
£11¾	695	Taisho Mar. EDR	950	......	Q11%	—	0.9	—

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

TRUSTS—Continued

Finance, Land, etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

MINES—Continued

FAR WEST RAND

1976/7 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
710	250	Blyvoor 25c	295	......	‡Q75c	1.6	‡
£14	440	Buffels R1	590		‡Q125c	1.6	‡
140	68	Deelkraal R0.20	65		—	—	—
760	125	Doornfontein R1	170	−5	‡Q55c	2.2	‡
965	330	East Drie R1	435	−10	Q75c	φ	11.2
280	122	Elandsrand Gld. 20c	130	−5	—	—	—
190	44	Elsburg R1	72	−2	Q9½c	φ	9.8
£16½	520	Hartebeest R1	800		‡Q190c	1.3	‡
695	260	Kloof Gold R1	315	−5	‡Q47c	1.5	‡
760	140	Libanon R1	215		‡Q80c	2.0	‡
740	230	Southvaal 50c	275		Q6c	φ	1.6
245	92	Stilfontein 50c	127	−3	Q22c	φ	12.5
£20¼	700	Vaal Reefs 50c	900	−12	Q110c	φ	8.8
420	48	Venterspost R1	87		‡Q25c	3.6	20.8
£35	£11¼	W. Drie R1	£16¼		‡Q335c	1.5	‡
315	68	Western Areas R1	124		‡Q15c	1.4	‡
£15¾	480	Western Deep R2	615	−10	Q90c	φ	10.7
290	100	Zandpan R1	142	−1	‡Q31½c	1.0	‡

O.F.S.

1976/7 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
170	60	Free State Dev. 50c	85	−5	Q9c	0.6	7.7
£22½	715	F.S. Geduld 50c	900		Q200c	1.8	16.1
200	50	F.S. Saaiplaas R1	76	−1	—	—	—
465	170	Harmony 50c	260		‡Q65c	1.9	‡
195	38	Loraine R1	54		Q5c	0.5	8.0
£18½	600	Pres. Brand 50c	800		Q170c	2.0	15.4
£13	395	Pres. Steyn 50c	550	−10	Q45c	5.9	5.9
£23¼	750	St. Helena R1	£10¼		Q170c	2.1	12.0
174	70	Unisel	124	+2	—	—	—
330	125	Welkom 50c	125		Q15c	3.7	8.7
£25½	950	W. Holdings 50c	£12⅞	−⅝	Q310c	1.3	17.4

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

1976/7 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
35½	15½	Charterhall 5p	25½	−1	—	—	—
90	28	Colby Mines SC1	62		—	—	—
990	485	Cons. Murch. 10c	465	−15	Q140c	φ	20.9
440	245	Northgate C$1	365		—	—	—
259	132	R.T.Z.	191	−4	g5.96	2.1	4.8
112	55	Sabina Inds. C$1	60	−4	—	—	—
£15⅞	£10	Tara Expln. $1	£11¾	−⅛	—	—	—
45	32½	Tehidy Minerals 10p	45		11.19	2.2	4.1
145	84	Yukon Cons. C$1	127		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♠ Sterling denominated securities which include investment dollar premium
- • "Tap" Stock
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ◊ Figures or report awaited
- †† Unlisted security
- ¢ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty
- ♦ Merger bid or reorganisation in progress.
- φ Not comparable
- ♦ Same interim: reduced final and/or reduced earnings indicated
- § Forecast dividend, cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration
- ♀ Regional price
- ‖ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. RT Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 22

FINANCIAL TIMES
Tuesday January 25 1977

Spanish Army chiefs launch attack on Government

BY ROGER MATTHEWS MADRID, Jan. 24.

SOME of Spain's military leaders began voicing their anger to-night at their Government's handling of law and order after the kidnapping of the president of the Supreme Court of Military Justice, Lt.-Gen. Emilio Villaescusa, 64.

At least two captains-general, who head the country's military regions, sent telegrams to King Juan Carlos demanding stern measures.

A 20-year-old girl student died this afternoon in violent clashes between riot police and demonstrators in Madrid. She was the second student to die violently in 24 hours, and her death provoked further serious clashes to-night.

Gunmen attacked offices in Madrid used by supporters of the Communist-led Workers Commissions and at least one person was killed.

Gen. Villaescusa noted for his loyalty to the late Gen. Franco, is a former head of the Madrid Military Region and Army Chief of Staff. He was seized by a group of gunmen as he left his home near the centre of the city.

The police, who formed road blocks round the capital, believe there may be a link between the General's abduction and the kidnapping on December 11 of Señor Antonio Oriol, President of the Council of State, who is still missing.

It appears that many Army officers are angry at the Government's failure to deal adequately with the kidnappers of Señor Oriol, which they believe is a direct cause of to-day's abduction.

Direct involvement of the Army in what was already a definite escalation of political violence is clearly meant to provoke a military reaction. Lt.-Gen. Iniesta Cano, a noted Right-winger, said this morning that the issue was in the hands of the Government. "If it was in my hands, it would be a very different matter," he added.

New threats

A series of top-level meetings in the Prime Minister's office this afternoon involving Lt.-Gen. Gutierrez Mellado, the liberal Deputy Premier, and Senor Martin Villa, Interior Minister, was aimed at deciding if special measures were needed.

With only a few months to go before the promised General Election, Senor Suarez is anxious not to restore more arbitrary powers to the police because of the reaction and resentment this would cause.

An eye-witness to the kidnapping is said to have recognised one of the assailants as a member of the extremist faction Grapo, which claims to hold Señor Oriol and has demanded release of all political prisoners.

In a communiqué last week Grapo told the Government that it had revealed only a fraction of its capability and was ready to commit more spectacular actions.

As in the case of Señor Oriol, Gen. Villaescusa was seized efficiently and with little violence. Two cars, one carrying men in Army uniform, pulled up outside the General's home as he walked towards his official Mercedes.

The kidnappers surrounded the General, forced him into his own vehicle, which had a chauffeur at the wheel, and the three cars drove off at high speed. The chauffeur was abandoned a few blocks away, and the Mercedes found a little later.

Mystery surrounds the identity of Grapo which, according to police, is the military arm of the extreme Left-wing faction the Reconstituted Communist Party of Spain. It has claimed responsibility for the murder of four policemen on October 1, 1975, and two waves of bomb attacks last July.

One theory voiced by a very senior official to-day was that there was a determined and professional attempt under way to "destabilise" the régime and its liberal programme.

"It is the confidence and sheer professional efficiency of these terrorists that most worries me. It seems as if we have no defence against them," he said.

In the city centre riot police sealed off streets to confront hundreds of demonstrators protesting at the murder of a fellow-student in a demonstration yesterday.

The central shopping area was shrouded in smoke and teargas as police made repeated baton charges to disperse the students, some of whom retaliated with stones and tried to build barricades.

The dead girl was said by her friends to have been hit by a police smoke bomb, fired at close range, which fractured her skull.

Shipyard Board's full-time men quit

By John Wyles, Shipping Correspondent

THE Government's trouble-prone shipbuilding policy suffered further damage last night when the three remaining full-time members of the organising committee of British Shipbuilders confirmed that they would not stay on to run the industry after nationalisation.

Their departures have been expected since the chief executive-designate, Mr. J. Graham Day, announced his resignation on December 9.

Although Mr. Eric Varley, the Industry Secretary, tried personally to persuade them to stay, Mr. Tony Peers, Mr. Peter Mills and Mr. Patrick Griffith, directors-designate for industrial relations, corporate planning and finance, have decided to leave within six months.

Interim plan

They will continue in the meantime as organising committee members, and this looks increasingly likely to involve them in developing the Government's interim plan for shipbuilding, which will be adopted if nationalisation seems likely to be delayed beyond the summer.

Having completed its Commons stages for the second time, the nationalisation Bill is firmly parked in the Lords, where examiners are still taking submissions on its possible hybridity.

Ministers will be unable to make judgments about the Bill's possible timetable until the examiner's decision is known. If Royal Assent looks unlikely inside six months, then the Government will almost certainly regroup existing State-owned yards into a holding company capable of absorbing private companies unable to survive the present recession.

Mr. Day's resignation was the most important factor influencing yesterday's announcements. Although in Mr. Mills' case family considerations were also important because he wants to educate his two young children in his native Canada, all three shared Mr. Day's reason for going: that the delay in the Bill reached the Statute Book radically changed the nature of the jobs they were appointed to do.

Time lost

Each has increasingly felt less confident that by the time they have the authority they will be able to salvage much of the industry from the world recession.

"We were in the eleventh hour a year ago as far as tackling the mass of the problem was concerned. We have lost time vis-à-vis those taking competitive strategies, and certain options have been closed out," said Mr. Mills last night.

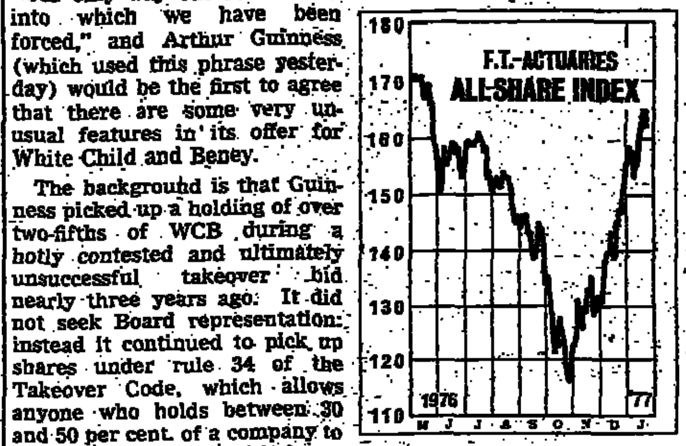
The Government is apparently fairly confident of finding replacements, although probably not before the Bill's timetable becomes clearer. Its leading candidate to replace Mr. Day as chief executive is Mr. Michael Casey, Under-Secretary for Shipbuilding Policy at the Department of Industry.

If appointed he would clearly play a prime role in choosing a new organising committee to serve alongside the two remaining members, Admiral Sir Anthony Griffin, chairman-designate, and Mr. Ken Griffin, deputy chairman-designate.

THE LEX COLUMN

The odd case of a bashful bidder

Index fell 6.9 to 377.8



Something is wrong somewhere if a bidder describes a contested take-over attempt as "our only way out of a corner into which we have been forced," and Arthur Guinness (which used this phrase yesterday) would be the first to agree that there are some very unusual features in its offer for White Child and Beney.

The background is that Guinness picked up a holding of over two-fifths of WCB during a hotly contested and ultimately unsuccessful takeover bid nearly three years ago. It did not seek Board representation; instead it continued to pick up shares under rule 34 of the Takeover Code, which allows anyone who holds between 30 and 50 per cent. of a company to increase the holding by 2 per cent. a year.

So WCB faced the probability that despite its efforts control would pass to Guinness within a period of three or four years. It had nothing to lose by bringing matters to a head at a time when its trading background was healthy—and the means to do this was provided by its friendly neighbourhood branch of the National Enterprise Board.

Although WCB could certainly have secured finance from the private sector, the NEB agreed last month to help finance an ambitious expansion programme by putting up £1.1m. of new equity at around the market price in return for 24 per cent. of the enlarged capital. Guinness could not have opposed these terms — about which it was not consulted — without being accused of acting against majority shareholders' interests, but it was not prepared to see its holding diluted to 35 per cent. at next month's EGM. Hence the bid.

But it is hard to identify anyone who really stands to gain from a bid made for such negative reasons. There are very few independent shareholders in WCB, since around two-fifths of the equity is owned by the Board's family and friends, who are fiercely independent. Guinness shareholders, if they had wanted to, could have made a direct investment in WCB at two-thirds of this price. And as *for the wider public interest*, Guinness's plastics operations is not spectacularly successful, while WCB is a vigorous and expanding small company.

The affair is not over yet, and it *would not be at all* surprising if Guinness were obliged to increase its terms. Meanwhile three general points are worth making. One is that the NEB, by interfering with the normal market mechanisms, has allowed itself to be used as a means of diluting the effectiveness of a major shareholder. Another is that in the light of these circumstances rule 34 of the Code looks an unsatisfactory compromise between giving a large shareholder a free hand and locking him in a permanent minority position.

Finally, WCB highlights the problems of a small but successful company which has almost no support from institutional shareholders. Guinness's initial 30 per cent. holding came via a somewhat unsavoury route through a Slater Walker shell, the "Dustbin trust," and finally through Heenan Spark's investment *offshoot*, Yorkgreen Investment Trust. Guinness actively considered placing its shareholding rather than making this bid, but decided that it could not do so at a satisfactory price given the existing lack of institutional involvement.

Gilt-edged

After the unexpectedly large drop in MLR last Friday the gilt-edged market paused for breath yesterday. But evidently there are hopes that MLR could come down again this week, and the market's response to a certain amount of profit taking must be regarded as encouraging. Recent boom conditions have, after all, attracted in a great deal of money which, in varying degrees, can be regarded as footloose, and therefore liable to make the market technically vulnerable if background conditions become at all difficult.

To start with the discount houses — traditionally nimble operators in the gilt-edged market, and recently accounting for about a quarter of all transactions in shorts — are heavily involved. From virtually nil in September their gilt holdings may well be now of the order of £400m. To take an example of their mobility, in the three months from January 1976 they unloaded £280m. of stock.

Then there are the foreign investors who have jumped on to the bandwagon in an unprecedented way since the middle of December, when the change in the outlook for sterling suddenly made U.K. interest rates look like a bargain: around the turn of the year, for instance, U.S. Government 20-year bond rates were only some 7½ per cent. in a bond market which was looking rather vulnerable. Foreign buying of gilts has amounted to at least £500m., and some estimates range close to £1bn.—virtually all in the past five weeks. This compares with an official figure of £57m. net in the first nine months of 1976.

Nor is this all. Merchant *banks and foreign banks in the* City, which held under £200m. of gilts on December 8, could easily have doubled that figure. The personal sector has been active. And some of the *funds earmarked for equities* by the main U.K. institutions, unable to get into a rapidly rising equity market, may have been temporarily diverted into gilts. Only the building *societies, strapped for liquidity*, will have had to sit out this buying spree.

All in all, between £1½bn. and £2bn. of arguably hot money could be in the gilt-edged market. *This would create* severe problems if the Government was still under pressure to sell stock. Fortunately, with the borrowing requirement and the money supply undershooting *official targets by wide margin* the market should be able to look forward to a period of some months in which the hot stock can be digested. The nagging uncertainty, however, is that whereas the *operations* of the discount houses and merchant banks are well understood, there are no useful precedents by which to try to anticipate the future tactics of *the overseas holders*.

Professor Mackintosh to stay on as MP

By Richard Evans, Lobby Editor

MR. JOHN MACKINTOSH, Labour MP for Berwick and East Lothian, has been appointed Professor of Politics at Edinburgh University, but, to the intense relief of Government whips, he will not be resigning his highly marginal seat.

The appointment will initially be on a part-time basis to allow Mr. Mackintosh, a leading *independently-minded moderate* and a passionate pro-Marketeer, to continue as an MP.

Whether he stands again will depend on his constituents and on whether he feels able to support *Labour's next election* manifesto.

Mr. Mackintosh has become an increasingly outspoken critic of some aspects of Government policy in recent months. With Mr. Brian Walden, MP for Birmingham Ladywood, he was responsible for wrecking the Government's Dock Work Regulation Bill last session. They abstained in a key division.

In sympathy

But he is broadly in sympathy with the three major items of legislation in the current session —devolution, direct elections to *the European Parliament and* the Bullock Report on industrial democracy. Mr. Mackintosh is, nevertheless, pursuing a campaign to strengthen the devolution legislation.

Although his decision to accept the Edinburgh chair — he declined the post on a full-time basis—will not be popular with the Government whips, he is in a very strong position. The Government can hardly consent to hi sgiving up the seat be captured fro mthe Tories with a 2,740 majority.

The Government's over-all majority is one, taking into account the usual support for Labour of four independents. Loss of Berwick in a by-election would put the Government into a vulnerable minority position.

Britain and Germany plan 'last' offset pact

BY REGINALD DALE, EUROPEAN EDITOR

BRITAIN and West Germany are to press ahead with negotiations for a new offset agreement to help compensate the U.K. for the foreign exchange costs of the Rhine Army. But the new agreement will almost certainly be the last of its kind.

At the end of yesterday's Anglo-German summit talks in London both Mr. James Callaghan and Herr Helmut Schmidt, West German Chancellor, expressed confidence that a new agreement would be reached despite continuing differences of view between the two Governments.

Mr. Callaghan went out of his way to show understanding of German reluctance to continue making cash payments to the U.K. The Germans feel such payments perpetuate the notion that the Rhine Army is an occupying force.

Offset agreements were becoming increasingly unacceptable to the German people, Mr. Callaghan said. It would be wrong to think the arrangements could "continue in perpetuity in their present form."

In negotiations to renew the last agreement, which expired at the end of March last year, the Germans argued that they have already done a great deal to help the British balance of payments. *This, they say, they have done* through their contributions to the IMF loan to the U.K., the Basle agreement on the sterling balances, and their sympathy towards the Government's refusal to devalue the Green pound.

Resisted

They have resisted the idea of making further direct cash payments to Britain, although it has been suggested that they might be prepared to do so once more provided it was clearly understood to be the last.

The last agreement, signed in 1971, included provision for a cash payment of DM110m. a year (£20m. at 1975 exchange rates), equivalent to 5 per cent. of the total foreign exchange cost of maintaining British forces in West Germany last year.

Mr. Callaghan and Herr Schmidt expressed support for a new international economic summit in the late spring, which the Prime Minister said should concentrate on the world economy in 1978.

It would be unsatisfactory if there were a slowdown in the U.S., German and Japanese economies next year and the three countries should maintain *momentum, if not actually in*crease it.

Britain's Community partners, not all of whom will attend the summit, would be consulted about it in advance. The Prime Minister would go to Washington "in the relatively near future" to continue the summit's preparation.

Picture Page 8
U.S. offers Nato cash boost, Page 4

Varley rethinks planning deals

BY ADRIAN HAMILTON

DEVELOPMENT of planning agreements with private sector companies has run out of steam, Mr. Eric Varley, Industry Secretary, admitted yesterday. He said that his department was now rethinking its approach.

Introducing two new £20m. aid schemes for the electronics and non-ferrous foundry industries, Mr. Varley said that progress in reaching planning agreements had been "a great disappointment so far."

An agreement with British Leyland would be announced within the near future and, dis*cussions were going on with* Chrysler. There was also the possibility that a relatively small company in the private sector—believed to be in the paper and printing sector—would be willing to pursue an agreement.

He accepted that these did not represent important breakthroughs for the policy and that general progress had not been good, despite the public willingness of a number of companies in the power and process plant field to discuss the Government's ideas.

The Industry Department would be reconsidering the whole approach over the next few months.

Mr. Varley said the Government might offer more inducements to companies accepting agreements and take stronger steps if companies did not agree voluntarily, but he gave little indication that he had anything *very definite in mind as either a* carrot or a stick.

Mr. Varley's admission over planning agreements comes at an awkward time when Labour leaders, including the Prime Minister, are pressing for real and speedy results. Officials in the Industry Department and the Treasury, however, show every sign of wishing that planning agreements would quietly fade away.

Over the last year, the Industry Department has made successive efforts to attract industry to the concept by playing down the sensitive aspects such as union involvement and arguing for a planning "dialogue" approach rather than one of formal agreements.

Companies, while willing to talk about the concept, have been reluctant to pursue it, partly because of the lack of inducement and partly because they fear being the first.

The main thrust of present thinking is the hope that the offer of greater security in regional aid for companies accepting agreements might help persuade some to sign. Few *think this will radically alter the* situation, however.

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Smith rejects U.K. plan

those concerned with security, he would have had no real power to back up his nominal authority, Mr. Smith said. He had been told by the British that "if the parties to the agreement did not continue to abide by it" the resident commissioner would be withdrawn.

He declared: "I am being asked to surrender my responsibilities, and the sovereignty of our country, and impose them in this reluctant commissioner, whose own government would in no circumstances intervene physically to support him if the security of the interim government were imperilled."

Declaring that the external in*fluence of the front line African* president (behind whom, he said, were the Russians) was "Machiavellian," Mr. Smith said that he had overwhelming evidence "to show that the solution being canvassed by the African states, and now by Britain, "is not acceptable to the majority of black Rhodesians."

As had been widely predicted, in the event of a Rhodesian rejection of the British proposals, Mr. Smith has now said that all moderate Rhodesians should come together to work out a solution for the country which, he said, would be on the basis of the Kissinger proposals.

He had already issued invitations "to the black leaders to join me," although he excluded "from this exercise anyone who supports terrorism." However, observers here remain highly sceptical of the viability of this *so-called domestic alternative*, even though it appears to be based on an acceptance by Mr. Smith of the basic tenet of the Kissinger plan — majority rule within two years.

It is clear that negotiations with Zupo, an organisation newly formed by tribal chiefs (formerly in the Smith cabinet) who are paid and appointed by the Government would not be internationally acceptable. Their spokesman said tonight Zupo would be willing to enter into talks.

There has been much talk of the possibility that Bishop Abel Muzorewa, leader of the Rhodesian-based African National Council, might be prepared to negotiate with Mr. Smith.

However, in a statement the ANC leader condemned Mr. Smith for "nuturing ... the hope that he can make a deal to prolong minority rule." At the weekend, Bishop Muzorewa said that only if Mr. Smith would "surrender power immediately and unconditionally to the majority" would he even be prepared to consider bilateral negotiations. Even then, he said he would insist on the participation of the British, a possibility that Mr. Richard earlier today *ruled out*.

The weakness in the domestic alternative is that it would be ruled out of court by those nationalists in a position to control the guerrilla fighters.

They *rejected the Kissinger* plan before the ink had dried, and that rejection has since been endorsed by the frontline African presidents, by Britain, and the U.S. — where the new Carter administration has endorsed the British proposals as a basis for negotiation.

All this acutely poses the question as to why Mr. Smith, clearly now more isolated than ever, and presumably aware that *guerilla activities are now likely* to be intensified, felt strong enough to reject the proposals and be blamed for the breakdown of the Geneva talks.

The key to his thinking must be the attitude of South Africa, whose pressure brought Mr. Smith to accept the principle of majority rule in the first place, and whose aid, in terms of trade and arms, is vital to Rhodesia's survival.

Weather

U.K. TO-DAY

RAIN but brighter later.

London, E., S.E. and Cent. N. England, Midlands
Rather cloudy with rain at times, but becoming mostly dry later. Wind S. fresh or strong. Max. 9C (48F).

Channel Is., Cent. S. and W. England, Wales
Rain, occasionally heavy, showery later. Wind S.W., fresh or strong. Max. 10C (50F).

Lakes, N.E. England, Borders, Edinburgh, Dundee, S.W. Scotland, Glasgow, Cent. Highlands, Moray Firth.
Mainly dry at first with bright spells, but cloudy with rain later. Wind S., fresh or strong. Max. 8C (46F).

I. of Man, N. Ireland
Rain, occasionally heavy, showers later. Wind S., strong or gale becoming variable. Max. 8C (46F).

Aberdeen, N.E. Scotland.
Rain at first, becoming drier with bright spells but further rain overnight. Wind S.E., strong. Max. 7C (45F).

Outlook: Showers and sunny *intervals, perhaps longer periods* of rain later.

Lighting-up: London 17.08, Manchester 17.10, Glasgow 17.07.

BUSINESS CENTRES

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Alexndria.	F	19	66	Madrid	F	11	52
Amstrdm.	C	6	43	Manchestr.	C	9	48
Athens	F	17	63	Melbourne	C	19	66
Barcelona	S	14	57	Mexico C.	S	19	66
Beirut	F	15	59	Milan	Fg	2	36
Belfast	R	7	45	Montreal	C	—8	18
Belgrade	C	7	45	Moscow	Sn	—12	10
Berlin	C	6	43	Munich	C	5	41
Brmghm.	F	8	46	Newcastle	C	4	39
Bristol	C	9	48	New York	C	—1	30
Brussels	C	9	48	Oslo	C	—5	23
Budapest	F	5	41	Paris	F	7	45
B. Aires	S	25	77	Perth	S	36	97
Cairo	C	20	68	Prague	S	5	41
Cardiff	C	8	46	Reykjavik	C	4	39
Cologne	C	8	46	Rio de J'o	S	30	86
Copnhagn.	C	1	34	Rome	F	14	57
Dublin	R	8	46	Singapore	S	29	84
Edinb'rgh	S	7	45	Stockhlm.	Sn	—5	23
Frankfurt	C	7	45	Strasb'rg	C	7	45
Geneva	C	4	39	Sydney	S	23	73
Glasgow	F	7	45	Tehran	S	0	32
Helsinki	S	—15	5	Tel Aviv	C	16	61
H. Kong	S	16	61	Tokyo	S	6	44
Jo'burg	C	25	78	Toronto	C	—5	23
Lisbon	C	14	57	Vienna	Fg	—1	34
London	F	10	50	Warsaw	C	4	39
Luxemb'g	Fg	3	37	Zurich	C	1	34

HOLIDAY RESORTS

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Ajaccio	F	14	57	Las Plms.	C	21	70
Algiers	C	15	59	Locarno	S	4	39
Biarritz	C	12	54	Luxor	F	24	75
Blackpool	C	7	45	Majorca	S	15	59
Bordeaux	C	11	52	Malaga	S	14	57
Boulogne	S	8	46	Malta	F	16	61
Casablnca.	F	21	70	Nairobi	C	19	66
Cape Town	C	23	73	Naples	C	12	54
Corfu	R	13	55	Nassau	S	21	71
Dubrovnik	C	12	54	Nice	C	13	55
Faro	C	15	59	Nicosia	F	16	61
Florence	S	13	55	Oporto	R	12	54
Funchal	F	19	66	Rhodes	C	14	57
Gibraltar	F	16	61	Salzburg	F	6	43
Guernsey	C	7	45	Tangier	F	15	59
Innsbruck	C	3	37	Tenerife	C	16	61
Inverness	S	8	46	Tunis	F	15	59
Isle of Man	C	7	45	Valencia	S	17	63
Istanbul	R	10	50	Venice	S	9	48
Jersey	C	9	48				

S—Sunny. F—Fair. C—Cloudy. R—Rain. Fg—Fog. Sn—Snow.

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هكذا من الاصل